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HYDRO ELECTRIC INQUIRY COMMISSION

GUELPH

GUELPH, NOVEMBER 1922.

W. C. Coo,
Official Reporter

THE HYDRO ELECTRIC INQUIRY COMMISSION.

GUELPH

November 9th, 1922.

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THE HYDRO ELECTRIC INQUIRY COMMISSION.

G U E L P H

NOVEMBER 9th, 1922, 9.30 a.m.

P r e s e n t :

W.D.GREGORY, Esq.,	CHAIRMAN.
M.J.HANEY, Esq.,	COMMISSIONER.
LLOYD HARRIS, Esq.,	COMMISSIONER.
J.A.ROSS, Esq.,	COMMISSIONER.
R.A.ROSS, Esq.,	COMMISSIONER.

J.H.W.BOWER, Esq., Secretary.

SIR ADAM BECK,
F.A.GABY, Esq.,
R.T.JEFFERY, Esq.,
} REPRESENTING THE HYDRO POWER COMMISSION.

THE CHAIRMAN: We have been commissioned by the Lieutenant-Governor of this Province to hold an inquiry into the administration by the Hydro Electric Power Commission of Ontario. We have been asked in performance of these duties by some to come here to Guelph and have a hearing as to the administration by the Hydro here and as to the undertakings which it has at Guelph under its charge. We have come to Guelph so that everyone, whatever their opinion may be, shall have full opportunity to be heard. We have subpoenaed some of your citizens to come here, but we do not want to limit the inquiry to them. If there is anyone who wishes to be heard on any phase of the question who has not been subpoenaed, we hope that person will make his desire to testify known, and he will have an opportunity to be heard. If there are any questions which anyone wishes to ask pertinent to the matter, we shall only be too glad to allow them to be asked. We want you to help so far as

you can in putting us in a position to arrive at a right conclusion in this matter.

H.E.GUILFOYLE

TO THE CHAIRMAN :

Q--You are a member of the firm of Clarkson, Gordon & Dilworth ? A--Yes.

Q--You are the auditor for the Hydro Electric Power Commission of Ontario ? A--Yes.

Q--We have received from you already a statement of the account of the Guelph Radial Railway for the six months ending 31st of October, 1921, and also for the year ending 31st October, 1922 ? A--Yes.

Q--Can you tell us shortly what your statement shows for the six months ending October 31st, 1921 ?

A--Yes, it is an exact copy of that contained in our auditor's report of the operations of the Commission and covers the period from May 1st, to October 31st, 1921. Shall I refer to any details ?

Q--Yes ? A--Transportation expenses, that is motormen and conductor's wages, and other expenses incidental to transportation, maintenance, power management, insurance and taxes, together amount to $40,658.45.

Q--That includes the expenses of the Guelph office ?

A--That includes expenses of the Guelph office and the proportion of the administration expenses of the Commission chargeable from Toronto.

Q--That is the administration at Toronto ? A--Yes, aggregating $40,658.45. The next item is just a small item of $194.45, representing one-tenth of the valuation and other expenses incidental to the purchase by the Commission which the Commission have seen fit to write off over a period of ten years, and eventually get rid of the small capitalized value of some $1900 odd. The item follow-

ing is provision for renewal on road and equipment; that is based on a sinking fund rate of 4% per annum equivalent to a renewal rate of 5¾%.

Q--On what ? A--On depreciable plant investment less certain items that I am going to refer to.

TO COMMISSIONER J.A.ROSS:

Q--Have you an extra copy of that balance sheet ?

A--Yes, there are several copies here. This is the 1921 statement, and the plant regarded as not depreciable includes right-of-way, ballast, paving, bridge foundation, general maintenance expenses during construction, grading and ties. These are the chief items. Some of these mentioned: engineering right-of-way and so on are not depreciable and do not require to have a rate applied on them. Grading, ties, ballast and things of that kind are kept up by the Commission out of maintenance, that is replacement of ties, repairing of the ballast, grading and so on is treated as a matter of maintenance. In setting up provision for renewal or depreciation, they did not apply a rate on those particular things I have mentioned, regarding them as items to be kept up as a maintenance charge, and these various things would be included in the items you now refer to; maintenance of way and construction. They do apply a depreciating rate on rails, poles and overhead. The other items of the power distribution system, passenger cars and locomotives - the renewal of these last mentioned things would be charged against reserve. At this time I am only mentioning by way of expenditure how the money is applied.

Q--Do you think that is an adequate provision for these items that you have segregated and applied it to ?

A--I am hardly in a position to say.

Q--How do you arrive at a conclusion as to whether or

not the rate is adequate for that purpose ?

A--As auditors we do not arrive at that conclusion; that is entirely a matter for the Commission and its engineering department.

Q--The Commission advises you ? A--It sets down exactly the items they regard as in that class to be replaced out of this fund set up and the rate to be applied thereon to put up a sufficient fund.

Q--You make no investigation to see if that is adequate or not ? A--No, at the very outset I think the matter came up at your other hearing. The basis of the depreciation rate accepted by the Commission was on the experience of other public bodies here and in the United States, and the rates drawn therefrom which in the opinion of the Commission suited their particular enterprise.

Q--You have some general knowledge yourself of the amount set aside for similar undertakings, have you not ?

A--I do not know that in our long list of clients there is anything parallel to the Hydro. It is rather unique in itself.

Q--This applies to street railways. In your opinion would this be a fair amount to set aside for that as compared with other undertakings of a similar character of which you have some personal knowledge ? A--I do not believe I am competent to answer that. We have never regarded that as within our province.

The next item is interest, $460.74. That is very small for the reason that the dealings of the Commission with bonds up to that time had been small and the real interest comes in the items following.

Q--The $460.74 is interest on what ? A--Interest on the bonds -- $116,000 sold up to that time, but sold just a very short time prior to October 31st, 1921. The main item of interest is contained in the next item, that is on the

purchase price paid to the City of Guelph.

Q--You might tell us what that purchase price was ?

A--Under the terms of the agreement, dated December 8th, 1920, the Hydro Electric Power Commission of Ontario purchased from the City of Guelph, free from all liabilities, all the assets, undertakings and property of every kind and nature belonging to the Guelph Radial Railway consisting of all freehold and leasehold lands, easements and interest in lands, save and except the lands in the Township of Guelph known as Riverside Park, the lands in the Township of Puslinch known as Puslinch Lake property, and property to the south west side of Waterloo Street. These three properties shall remain the property of the City of Guelph. All plant, machinery, rolling stock, works, buildings, fixtures, equipment apparatus, furniture, stock in trade, supplies, stores, goods, chattels and effects; all franchises, patents, licenses, agreements and rights and all documents including title deeds, contracts, books of account, plans, records and specifications; all the outstanding shares of the capital stock of the Guelph Railway fully paid up, all the property to which the Guelph Radial Railway is entitled in connection with its business except cash promissory notes, book accounts and bills and accounts receivable which may be retained by the corporation -- the purchase price given by the Commission for such assets was $150,000 payable, including interest at 4½% per annum, in instalments of $11,700 in each year for 20 years in half yearly payments on the 1st of May and 1st of November, the first of such half yearly payments of $5850 to be made on the 1st of November, 1921. No bonds were required to be issued by the Commission covering the purchase price.

Q--There were no bonds on the railway at that time; it was free of debt ? A--It was bought from the City of

Guelph free from all liabilities, and I assume Counsel for the Commission would make certain that the property was free at that time, because it is purchased free from liability.

Q--Was that $11,700 to become an annual charge for 20 years payable by the Commission to the City ?

A--Yes, 40 half yearly payments payable by the Commission to the City of Guelph. That explains the last item, the provision for payment to the City of Guelph of an instalment due 1st November, 1921, under the purchase agreement.

The next item is "interest for half year", $3,375, on account of principal, $2,475, making $5,850.

Q--Each year the principal will be more and the interest less ? A--Yes, as time goes on the total expenses, including that provision for payment to the City of Guelph, were $49,162.37.

Q--Now give us the other side ? A--The operating revenue was $38,511.05, resulting in a net deficit for the period after provision for instalment on account of principal and interest payable to the City of Guelph of $10,651.32. It requires that amount to make up the deficiency between the expenses and operating expenses.

Q--How was that deficit of $10,651.32 met ?

A--Met by a charge to the City of Guelph and paid by the City of Guelph within the past month or so.

Q--Then the City of Guelph did not receive anything on account of the purchase price and had to pay out about $5,000 in addition ? A--Well, as a matter of fact to conform with the requirements of the purchase agreement, the Commission did pay to the City of Guelph $5,850, and it received back $10,651.32. That I think exactly conforms with the terms of the agreement.

Q--There was a cheque given by it ? A--Yes.

Q--And the cheque given by the City of Guelph to the Commission was a little less than $5,000 more than it received from the Commission ? A--No, as a matter of fact, the cheque received from the City of Guelph was the whole $10,651.32, and the cheque paid to the City of Guelph covered the half yearly instalment, and another payable the 1st of May, 1922.

Q--It is not shown in this statement ? A--No.

Q--So far as the City of Guelph is concerned it paid out in respect of the railway that year about $5,000 more than it received ? A--Yes.

TO COMMISSIONER R.A.ROSS:

Q--You have this headed "Operating", and you have one item on account of principal $2,475; is that purely an operating matter ? A--It is operating in this way that it has to be charged against railway operation under the terms of the agreement, but you will notice we particularly pointed out that there was a deficit on account of principal, net deficit after provision for instalment on account of principal and interest payable to the City of Guelph.

Q--Looking at it purely from a business standpoint, as an operating account, supposing you had to account for the cost of operation as you usually do in business matters, that $2,425 would not appear in the account as operating expenses ? A--No, ordinarily that is a separate capital return.

Q--You have transportation expenses, $16,024.98; maintenance - way and structures, $4,363.40 - more than $20,000 ? A--That $16,000 is largely wages of conductors and motormen.

Q--In addition to that you have other items, renewals, $1998.73 ? A--Yes.

Q--That makes a pretty heavy account for maintenance and

renewals ? A--You would probably be a better judge there than I would as to just what these things would be. I do not claim to know about railway operation.

Q--Were they classified in that way by the Hydro itself or by you ? A--Maintenance of way, structures and equipment was from the vouchers absolutely.

TO THE CHAIRMAN:

Q--You make no provision in this statement for sinking fund on the bonds which you say had been issued ?

A--The purchase price you mean ?

Q--No, the bonds on which you begin to pay interest ?

A--No, under the Guelph Radial Railway Act no provision has been made for a sinking fund to repay the $116,000 issued by the Commission. Sub-sec. 4 of Sec.4 of the Guelph Radial Railway Act provides that it shall not be necessary for the Commission to receive or provide any sinking fund until after the expiration of ten years from the 1st of May, 1921. That is provided for by statute, and they do not require a sinking fund on these bonds.

TO COMMISSIONER R.A.ROSS:

Q--This provision for a renewal of road and equipment is more in the nature of a depreciation account than renewal ?

A--I regard that as the same thing exactly. Sir Adam Beck, the Chairman of the Power Commission, within the last few days has expressed to me his opinion that with the rehabilitation of the track and roadbed and of the plant equipment of the Guelph Radial and with the contemplated and eventual purchase of new passenger cars, it is his opinion that it would be the opinion of the Commission that depreciation or renewals should not be charged during this period of rehabilitation, and in compiling the statement of the year following I have left out renewals and depreciation.

TO THE CHAIRMAN:

Q--Do you think that is a wise step ? A--There is no doubt, Mr.Chairman, the rehabilitation of the track and roadbed must have a bearing on the necessity or otherwise for depreciation reserve, but just the extent of that bearing I do not know. There is no doubt it would have a considerable bearing on it in that rehabilitation period.

Q--The expenditure has been largely on cars and equipment and what other things ? A--There is a statement that sets that out exactly -- the expenditure from the date of the purchase down to the 3rd September, 1922.

TO COMMISSIONER HANEY:

Q--At what time would you contemplate setting up an item for depreciation if not when the property was started to be used ? There must be some time when it would begin ?

A--According to Sir Adam's statement to me, the plan of the Commission would be to commence depreciation from the time the work of rehabilitation was over and when the road had fallen back into normal operating conditions.

Q--The road is being operated while the rehabilitation is going on ? A--Yes.

TO THE CHAIRMAN:

Q--I notice in the first item, engineering superintendence, administration and insurance, $13,000 ? A--Yes.

Q--Surely that is something which could not be spread over a term of years ? A--For a short time depreciation did not apply to engineering superintendence, administration or insurance on the ground, first, that there is nothing to renew in that item. That is an initial charge, and consequently the investment in the whole of the plant would eventually be paid by sinking fund, and this very item of $13,000 would be recovered out of revenue.

Q--We are considering when that sinking fund should

begin. Is it customary to issue bonds for insurance ?

A--These things are properly charged to the profit of the road. Insurance in that case is largely Workmen's Compensation.

Q--You are issuing bonds every day ? A--No.

TO COMMISSIONER HANEY:

Q--Insurance is operation and administration is operation. You are charging these to capital account ?

A--The insurance there has distinctly and only to do with the construction gang and construction work.

Q--It is charged to construction account during the period of construction ? A--Yes, I think that is quite proper. There is a clear distinction drawn between operating gangs and their expenses, and construction gangs and their expenses.

TO COMMISSIONER HARRIS:

Q--These items amounting to $132,000 would naturally come under the head of rehabilitation ? A--Very largely. The Chief Engineer of the Commission can tell you better than I could as to the extent of the extensions that went on. Generally speaking that is largely rehabilitation.

Q--Then the next item under equipment, $74,042.17 -- that is money paid for new cars ? A--New cars.

Q--Don't you think we should go a little farther now, so as to get the picture clearly in our minds; you have stated that the Hydro Commission purchased the Guelph Street Railway System for $150,000 ? A--Yes.

Q--That is not the whole story as I understand it. When they purchased that, they entered into an agreement with the City of Guelph that Guelph would furnish another $300,000 out of which would come any expenses for rehabilitation and to make up deficits ? A--I can go right on and cover that. It is a little different to just what you have

mentioned. This is going on from where I was quoting before. Under the terms of the purchase agreement of the Guelph Radial Railway, it is provided, among other things, that the Commission may issue bonds to the amount of $150,000 for the purpose of the railway, and further with the consent of the corporation, it may from time to time increase such bond issue to cover capital cost of extensions or for additional works or equipment at any time required for the railway. The Corporation of the City of Guelph is authorized to issue debentures to an amount not exceeding $200,000 payable in 50 years from the 1st of May,1921, and bearing interest at the rate of 6% per annum as provided by the Statute, but only 5% per annum as provided for as between the Commission and the City of Guelph, such debentures are required to be deposited with the Commission.

Q--Why should they be deposited with the Commission ? For what specific purpose ? A--I will come to that. Further, the Corporation is authorized under the Statute to issue and deposit with the Commission 6% debentures for the same amount to cover capital cost of extensions made for the railway. If the revenue derived from the operation of the railway shall be insufficient in any year to meet operating or working expenses and the instalments of $11,700 per annum of the purchase price to be paid in each year, then the Corporation of the City of Guelph shall make payment to the Commission of any deficit.

Q--The deficits are not to come out of the $300,000 ?

A--The $300,000 is a pledge for the payment of that.

Q--Not of the deficits ? A--Yes.

Q--The $300,000 is to be used for extensions and rehabilitation, but anything in the way of deficits must be paid by the City of Guelph. There is no connection between the deficits and the $300,000 ? A--Yes, there is.

Q--It does not say so ? A--I will come right to that. After ten years from the 1st of May,1921, sinking fund charges sufficient, on the basis of not more than 40 years, for the payment of all bonds issued on account of such railway, shall be held over and applied towards the payment of such bonds.

Q--Have any additional bonds been issued ?

A--$300,000 of bonds have been issued. I think you will find in the Guelph Radial Railway Act and in the agreement between the two quoting from sub-section 3 of Sec.5: "In the event of the revenue derived from the operation of the railway being insufficient in any year to meet the operating or working expense, including the electric power or energy and the cost of administration and the annual charges for interest and sinking funds on the bonds and for the renewal of any works belonging in whole or in part to the railway, such deficits shall be paid upon demand of the Commission by the Corporation. Any arrears of the Corporation shall bear interest at the rate of six per cent per annum. If the Corporation shall make default in payment of such deficits, the Commission shall thereupon sell or otherwise dispose of so much of the debentures of the Corporation as shall be necessary to supply such deficiency at such rates of discount or premium and such terms and conditions as the Commission in its sole discretion shall deem to be in the interests of the railway, the proceeds of such debentures being used solely for the purposes herein contained." That makes it a direct charge.

TO THE CHAIRMAN:

Q--The Commission can fall back on the bonds in the event of the City making default ? A--Yes.

Q--If the City should make those payments as required,

the bonds might all be used for the purpose of construction ?

A--For collateral to their bonds issued by the Commission and these bonds sold for the purpose of the railway.

Q--Supposing the revenues of the railway were not sufficient to pay interest on these bonds which they have already issued, then the City has to make up the deficiency ? A--Yes, that clause I have just quoted covers that. The city must make good all charges, including the payment back to it of interest and sinking fund.

TO COMMISSIONER R.A.ROSS:

Q--As a matter of fact you are capitalizing indebtedness ?

A--No, we do not do that. The bonds are placed as collateral to begin with, and the deficit becomes immediately a charge against the City of Guelph. It is an account receivable from it to the Commission. If the City of Guelph does not make good that deficit, within a time reasonable to the Commission, then the Commission may sell sufficient portion of those collateral bonds to return to it dollars and cents to cover that deficit.

Q--As far as the city is concerned, the citizens have to pay out of their own pocket the deficit in one of two ways : either by paying in cash from the consolidated funds of the Treasury or by the sale of bonds which amount to the same thing, so that the deficit is capitalized on the city although it is not capitalized on the investment ?

A--Quite right. I thought you meant the railway.

TO THE CHAIRMAN:

Q--The bonds which are in the hands of the Commission may be used for construction purposes ?

A--Yes, if they had to be sold.

Q--That is given as further security; they have the right of action against the city for any deficit, but rather than do that they can sell the bonds which have been placed in their hands? A--Yes, you might call it a precaution taken to make good and without any great trouble.

Q--A very ample precaution? A--Yes.

COMMISSIONER HARRIS : Q--Let us get this thing clearly fixed in our minds. It took me a long time to understand this agreement between Guelph and the Hydro. Leave the Hydro out altogether and take Guelph as a municipality, - Guelph has a street railway system that they find is a lemon on their hands and they want to do something with it and get rid of it, so they approach the Chairman of the Hydro or the Chairman approaches them - it makes no difference which - and an agreement is entered into under which the Hydro agrees to pay Guelph $150,000 for this street railway system, and the Chairman of the Hydro submitted at that time what they would do; put the road in good shape, rehabilitate it, and Guelph accepts the estimates he gives, and they go ahead in good faith, and the Chairman of the Commissions says: "Now, I will take this over and operate it, but I want to be protected, and I want Guelph to put into my hands $300,000 which I can spend as I desire? A--He could hardly expend that $300,000 in that way.

Q--It is in his hands to spend? A--As collateral.

Q--He is pretty well protected; he has got the railway that he has agreed to pay for in 20 years by payments of $11,700 each. Guelph is to receive that, and Guelph is to go on and start spending this money in rehabilitating the road, and he puts in an estimate that the rehabilitating is going to cost $49,273, and after he has operated the road for 18

months, he has spent $152,000 instead of $49,000; that is right? A--I did not know of the $49,000. I did not go into that estimate.

Q--The estimate was furnished by the Chairman to the City of Guelph as $49,272 to rehabilitate that railway, but that does not cover the cost of new cars and in addition to the $152,000 that has been spent, there is $74,000 for equipment and passenger cars, making a total of $226,000, and that comes out of the $300,000?

A--I may be repeating, but it comes out of the bonds issued by the Commission and for the purpose of the road, and under the authority of the Act, and against that the City of Guelph issues $300,000 of city bonds.

Q--That is Guelph's liability? A--Contingent.

Q--Contingent liability may become an actual liability very easily. That is the situation as I see it at the present time. Is not that the practical situation?

A--Well, I do not know that I can give confirmation of that. I do not know about the confirmation of the estimates originally gone into, The expenditure is correct and the bonds that the Commission issued are correct, and the collateral security is correct.

Q--I have a copy of the estimate of $49,262, and that was furnished by the Hydro to the city of Guelph, and I presume that was done before they voted on the bylaw?

MR. GABY : The actual construction as carried on and the estimates submitted to the City of Guelph for doing something else are two different things.

COMMISSIONER HARRIS : Here are the estimates that you put in -- the total estimated cost of necessary repairs to put the lines in fair running order.

MR. GABY : That is not rehabilitation; that is simply repairs to the railway.

COMMISSIONER HARRIS : Where are the estimates covering any further work to be done?

MR. GABY : Any further work to be done was submitted to the Council, and $150,000 was called for in the first place and the matter was taken up and a resolution passed authorizing the Commission to issue further bonds to take care of the rehabilitation.

COMMISSIONER HARRIS. That does not seem to appear in any of our papers.

TO THE CHAIRMAN :

Q--Was that authorized by the Council of the City of Guelph?

MR. GABY : Yes.

Q--So that the Council has ratified all the work that has been done by the Commission? A--Yes, we have got to get from the Council authority to issue bonds before the money can be obtained for carrying on any construction on capital account, and it has to be done by submitting reports and data to the Counsil for that purpose.

COMMISSIONER HARRIS : Has that been done?

MR. GABY : That has been done.

THE CHAIRMAN : Have you got the data that you submitted to the Council?

MR. GABY : Yes.

Q--Did that data include estimates of the proposed work?

A--Yes, and a report on what actual expenditure had been made on the road, and what the expenditure had been made for, and the probable expenditure to place the road in proper operation and for rehabilitation and for the purchase of cars.

THE CHAIRMAN : I do not think we have a copy of that.

MR. GABY : I do not know whether you have or not, but

I can let you have it.

COMMISSIONER R. A. ROSS : That $49,000 referred to repairs?

MR. GABY : It was in 1919 that that estimate was prepared and we did not take the road over until a year and a half later -- May, 1921, - and that was simply for repairing the tracks and putting it in operating condition -- that was to cover deferred repairs.

Q--The other additional amounts were for betterments and improvements? A--Absolute reconstruction - entirely new in many cases. The track was removed and new tracks and foundations put down.

COMMISSIONER HARRIS : When the electors were asked to vote on this matter, the figures they had before them were the $49,000?

MR. GABY : A report was submitted in 1919 to the City in which there were several different propositions put before them.

COMMISSIONER HARRIS : I submit we will have the discussion of this matter and you should have an opportunity later to present your views to the Commission.

MR. GABY ; I was asked a question and I thought I was just answering that question.

COMMISSIONER HARRIS . You started in by asking a question.

MR. GABY : I was correcting a statement that was incorrect.

COMMISSIONER HARRIS :: I have been trying to get a picture of this whole situation and it seems to be very complicated.

MR. GABY : I was just trying to put you right.

MR. GUILFOYLE : As rather opposed to the $49,000

under the agreement with the City of Guelph, the Commission were forthwith authorized to issue $150,000 bonds for the purpose of the railway, and $150,000 must have been contemplated.

COMMISSIONER HARRIS : I am assuming that this matter was before the electors and that they understood all the conditions and knew exactly what they were doing when they were voting on that bylaw, and if they are satisfied, we have no reason to quarrel with it, but we are trying to get at the facts and to interpret the agreement that was made between the City of Guelph and the Hydro, and find out what it means. The City of Guelph had reached the conclusion that they could not operate the railway profitably and they turned it over to some other body to operate, and if Guelph is satisfied with the situation it is up to them. They have to pay the bill. I do not have to pay it, but I think that is the picture at the present time. They turned the railway over and they turned over $300,000, and placed it in the hands of the men who are going to operate the road, and if they do not operate it properly or if their administration is not what Guelph expected, then the burden is on Guelph and we are just here to try and find out the facts.

THE CHAIRMAN : We shall hear from the representatives of Guelph and from Mr. Gaby and from all interested parties, and probably they will be able to throw some light on the subject.

COMMISSIONER J. A. ROSS : On the subject of depreciation, when Hydro took the railway over, they did not agree to set up a depreciation account unless there were profits?

MR. GUILFOYLE : Let me quote this to you. It is somewhat opposed to your view, but this is repeating in part what I said before.

"In the event of the revenue derived from the operation of the railway being insufficient in any year to meet operating or working expenses, including electrical power or energy and the cost of administration and the payments provided for in clause 2A of the said agreement and the annual charges for interest and sinking fund on the bonds and for the renewal of any works belonging in whole or in part to the railway, such deficits shall be paid on demand of the Commission by the Corporation, and any arrears of the Corporation shall bear interest at six per cent per annum."

That is the Statute.

THE CHAIRMAN : They have a perfect right to put up a sinking fund whether they are making a profit or not?

A--That clause requires the Commission to put up renewals, but it does not say what the amount shall be. It can only be assumed that is left to the discretion of the Commission.

Q--If they make provision for renewals and a deficit arises the City has to make it good? A--Yes, under this clause how can it be otherwise?

COMMISSIONER J. A. ROSS : Those were not the terms of the original agreement; that is the Statute. The original agreement read that they only had to set up depreciation when they were making profits.

MR. GABY : This Act can be interpreted I think in this way, Mr. Guilfoyle. It says here: "For the renewal of any works belonging in whole or in part to the railway," that might mean expenditures on renewals in that year - "renewal of any work" may mean actual expenditure and not renewal reserve. I think you can interpret that as being renewals of works - that is actual expenditure.

MR. GUILFOYLE : To my mind, Mr. Gaby, I think it is left to the Commission to say as to whether they shall have

to take care of these renewals as renewals become necessary. It is left to the Commission to renew either by provision in advance for the day when that will have to be done or when it actually has to take place. In any event it must be a charge against revenue.

MR. GABY : Absolutely whenever it occurs, it is a charge against revenue. You can set up a small renewal fund and then increase that gradually as the property becomes old and near the period in which it ought to be renewed.

MR. GUILFOYLE : I do not think there is anything in the statute to compel the Commission to adopt that or any other system of renewal, but they must renew it.

THE CHAIRMAN : Could the Commission begin their sinking fund before this actual period of ten years or are they compelled to defer it for ten years?

A--I will read Sub-sec. 4 of Sec. 4 of the Guelph Railway Act:

> "For the purpose of providing for the payment of such bonds and the interest thereon, the Commission shall, in each year after the expiration of ten years from the said date, out of the revenue of the railway, after payment of working or operating expenses, including the supply of electrical power or energy, and the cost of administration, and the payments provided for in Clause 2A of the said agreement and the annual charge for interest, set aside annually such sum as may be necessary to provide a sinking fund on a basis of not more than 40 years for the payment of all the bonds issued on account of such railway which shall be held for and applied towards the payment of such bonds at maturity, and the

"Commission shall have power from time to time to issue bonds under this Act for the purpose of providing for such additional moneys as may be necessary. --"

They must do it after the expiration of the ten years.

Q--Probably they could not do it before? A--I think the City might very well complain if they did.

Q--For what period are the bonds that have been issued by the Commission? A--Ten years from the 1st of May, 1921; they are ten year bonds.

Q--So that the bonds will fall due before there is any sinking fund provided? A--The bonds at present issued will.

TO COMMISSIONER HANEY :

Q--Have the collateral bonds the same term? A--No, the collateral bonds are either 40 or 50 years.

Q--What rate do the bonds issued by the Commission bear? A--6%.

Q--Were they sold at par? A--$150,000 -- the first issue were sold at par.

Q--Have all of them been sold at par? A--All have been sold at par; the second issue of $150,000 is not yet sold.

Q--Are they hypothecated? A--They are being presently executed to be hypothecated.

Q--Has the amount to be received for these bonds been anticipated and spent? A--I can tell you how much -- about $79,000 has been spent over and above the proceeds of the first bond issue, and against that the Commission have obtained a loan of $115,000 from the Bank of Montreal.

Q--On what security? A--The execution of the bonds I mentioned; they were going through to be deposited with the bank as collateral.

Q--Then the $150,000 of bonds are to be deposited with the

bank as security for an advance which shall be paid over when the bonds are sold ? A--Yes.

Q--And the bank would give up these bonds and receive the proceeds ? A--Yes, $115,000 is the amount of the loan and $150,000 is the amount of the bonds.

Q--Were the bonds not actually given to the bank at the time these advances were made ? A--The bonds had not been fully executed.

Q--They could not have been at all ? A--No, but at the same time they might readily have been pledged. The latest word I had was yesterday morning with the Treasurer of the Commission when he told me that the bonds were there ready for signature and the seal of the secretary of the Commission.

Q--Guelph has delivered the $300,000 of bonds ?

A--Yes, this is the second issue by the Commission.

Q--How was the bank secured prior to the delivery of the bonds ? They would be no security to the bank until they were in their hands ? A--I do not know the full details but it could readily be done on the undertaking of the Commission to deliver these bonds as soon as they were executed; that is the ordinary business procedure.

MR. GABY: That has been done -- an undertaking has been given.

MR. GUILFOYLE: We do know that all preliminary arrangements for the issue of the bonds have been carried out. The bonds were in print and needed only the signature and seal of the secretary to complete, so that the bank had that assurance.

TO THE CHAIRMAN:

Q--Have any obligations been incurred that would make it necessary for the Commission to use the remainder of the proceeds from the sale of that $150,000 of bonds ?

A--Yes, Mr. Gaby can give you more information on that than I can. It depends on the extent to which they contemplate going on rehabilitating - how much work they still have ahead of them. Strictly on the purchase of the rolling stock, there is about $10,000 yet to be paid, that is as far as I can gather; as to how much more rehabilitating has to be done, the Chief Engineer can tell you.

COMMISSIONER J.A. ROSS:

Q--What is the total amount of cash that has been obtained from Guelph so far ? A--In the first place $150,000 was paid on account of the agreement.

Q--By the Hydro, for which Guelph issued debentures, and then there was an issue of $150,000 in bonds at 6%, and now you speak of an issue of $150,000 of bonds, making a total of $450,000. What is the net amount that has been obtained from Guelph ? A--As collateral $300,000.

COMMISSIONER HANEY: And in addition to that, the property valued at $150,000.

COMMISSIONER HARRIS: No bonds were issued for that by Guelph.

THE CHAIRMAN: That was the obligation, and in addition to that they issued $150,000 in bonds which would make $300,000, and now they are issuing bonds to the extent of $150,000 more, and that would make their liability $450,000.

MR. GUILFOYLE: I thought Mr.Haney was touching on the other point - the expenditure to which they had collateral back of these notes. They have the property sold under this agreement, and in addition the $300,000 of the city's bonds.

Q--So that the liability of the City of Guelph is $450,000 ?

A--Yes, treating the agreement as $150,000 and the bonds as $300,000. That would be commensurate with the direct liability of the Commission.

TO COMMISSIONER HARRIS:

Q--I would like to add this to the remarks I have already made: I have just been looking over the by-laws submitted to the electors of Guelph, By-law No.1449, and I find there is no reference in this by-law as printed and submitted to the electors to the $300,000 in bonds; it deals only with the consideration of $150,000, and there is nothing mentioned in it about the $300,000. Of course you do not have to deal with that ?

A--No.

TO THE CHAIRMAN:

Q--Now, Mr.Guilfoyle, will you take up your operating account for the year ending October 31st last ?

A--In preparing the statements for the year ending October 31st, 1922, while it was approximately correct, I only had the actual figures of expenditure and revenue up to the end of September, the accounts of the Commission not having been closed for October at the time I took this off, but I made careful estimates for the month of October, and I think it will be nearly correct.

Q--So far as interest is concerned, you can say exactly?

A--Yes, this statement shows transportation expenses, very largely motormen's and conductor's wages, and expenses incidental to passenger and freight traffic . . . $28,981.03.

Maintenance - Way and Structures		7,003.04
Maintenance - equipment		16,652.23
Power		10,994.11
General Operating and Management Expenses		7,234.52
Proportion of the Administrative Expenses of the Commission chargeable to the operation of the Railway		3,027.40
Insurance (Fire and Liability)		2,497.53
Taxes (Municipal)		3,176.51
Total of that group		79,566.37
Written off valuation and other expenses re purchase by the Hydro Electric Power Commission		214.00
Interest		
On bonds	$8,347.60	
Other interest	128.83	
	8,476.43	
Less - Interest capitalized in connection with rehabilitation and purchase price of new cars	2,359.21	6,117.22
Provision for payment to City of Guelph of instalments payable 1st May, 1922, and 1st November, 1922,		
Interest for year	6,581.68	
On account of Principal	5,118.32	11,700.00
Total operating cost		97,597.59

Q--That is for the year ? A--Yes, ending October 31st, 1922.

TO COMMISSIONER J. A. ROSS :

Q--How can you explain interest in connection with rehabilitation and purchase of new cars ? A--It has been the practice of the Commission and I have always approved of it that interest during construction would be capitalized. Take the purchase of new cars - the purchase

price has been paid in instalments on the progress certificates, that is, as the work progressed in the manufacture of these cars, the Commission made progress payments somewhat in advance of the actual delivery of the cars, and up to the turning into operation of the cars, the interest is capitalized.

Q--Just the same as putting up a building ?

A--Yes. The Commission's investment in these things is all borrowed money and the interest must be charged some way. If the road is under construction or parts of it under rehabilitation, the operation is not going on; if it is being constructed to a limited extent, the work must stand the interest, so that we allocate the interest charges against that, but immediately it comes into operation whether it is a power line or a local railway, the interest becomes an operating charge, but during construction I think it should be capitalized.

TO COMMISSIONER HARRIS :

Q--If you are building a new thing altogether that is quite proper but where you are taking an existing thing and rehabilitating it, I do not know that interest should be capitalized ? A--I do not see any difference. Supposing you take it on a larger scale. The City of Toronto with the tremendous investment they have in their rehabilitation --

Q--What do they do ? A--I do not know specifically but I think I am very safe in assuming that they capitalize it, because their operation could not stand it. It could not stand interest on something that is not productive.

Q--That is different to Guelph; in Toronto the whole Street Railway is being renewed ? A--I think Mr. Gaby will say that in the City of Guelph they will pretty nearly make a new road.

COMMISSIONER R. A. ROSS : Why should not they pay

for the cars when they are delivered ?

MR. GAMY: The contract provides for payment in instalments as the cars are being built.

Q--Why could not you make a contract for a completed car ? A--They would charge interest charges just the same; you get it either way.

TO COMMISSIONER HARRIS:

Q--They propose to defer any payment on depreciation on these cars for ten years ? A--That is the sinking fund, not depreciation; that is provided by Statute for the whole investment.

Q--It is proposed to defer the sinking fund on the cars for ten years ? A--Yes, but the cars will have to be kept up.

TO COMMISSIONER HANEY:

Q--And renewed if necessary ? A--Keep them up and renew.

Q--Is not it the case where they purchase large quantities of rolling stock and borrow on it by mortgage, that the bonds generally run for ten years and are paid off at the end of ten years by the provision of putting aside 10% yearly, because these cars might be worn out, and it is probable they will have become obsolete in ten years ?

A--I could not answer as to that.

TO THE CHAIRMAN:

Q--You think they are justified under the Statute in postponing any sinking fund for ten years. That seems to me to be a most unsound provision.

COMMISSIONER HARRIS: That applies to strictly Hydro enterprises. It might apply to some special things but rolling stock is different.

MR. GUILFOYLE: No, I do not think so. When you have provision for the eventual renewal of those cars, I think it is an adequate provision because there is not risk or danger.

COMMISSIONER HARRIS: Then you start in at the end of the ten years and start a sinking fund for thirty or forty years. They would be on the scrap heap at that time ?

A--From the renewal and depreciation fund that must be set up on a proper basis, and it should be adequate to replace these cars when they are worn out so that the investment of the plant will never be impaired. Renewal and depreciation and maintenance must be taken care of out of operation by the provisions of the contract.

Q--Is that sound enough ? A--I think it is perfectly sound.

Q--It is sound enough on a fixed investment, but where you have cars you have to make provision to pay off the cost in a very limited period ? A--No, I do not see it in that way. The question of sinking fund on the repayment of the amount invested - the question of renewing that car or replacing it by a new one is a matter that has got to come out of the operation whether you leave it until the thing actually has to be done or whether you provide that it ought to be done during the period of operation, and have a fund sufficient to replace that car. If the fund is there it does not matter whether the old car is gone so long as the new car is there to carry on. If the renewal fund does take care of that, why would we draw any relation between the sinking fund for the repayment of the capital investment on the one hand and depreciation on the rolling stock on the other hand?

Q--What I want to know is; what provision is made to take care of that under the Act or under Hydro policy ?

A--It must be met. I will go this far: if renewal provision was not made, then you are impairing your capital investment.

COMMISSIONER HARRIS: Perhaps Mr.Gaby will tell us exactly what they have in mind as to how they propose to take care of that particular point in connection with the rolling stock.

THE CHAIRMAN: The issuing of bonds by railways to pay for rolling stock is almost an everyday occurrence. Can you tell us a single instance where such bonds have been issued and where a sinking fund to pay these bonds off has been postponed for ten years ?

MR, GABY: I am not conversant with the matter you speak of, but I would answer it by asking another question: Do the railways at the same time put up adequate renewal provision to renew that very rolling stock, or do they regard repayment of the sinking fund as sufficient to cover all the charges ?

THE CHAIRMAN: I do not know whether they put up a renewal fund or not.

MR. GABY: I am inclined to doubt it.

THE CHAIRMAN: They put up a sinking fund.

MR. GABY: I suppose they would regard a renewal fund as not necessary.

THE CHAIRMAN: It seems to me there must have been some persuasive agent at the Legislature to get them to put that provision through.

COMMISSIONER HANEY: The bonds are issued at about 70% to 80% of the value of the new stock, and then a sinking fund is provided to pay that off in ten annual instalments with interest.

MR. GUILFOYLE: It does not matter if you put up, during the period of operation, a fund sufficient to fully renew and replace them at the time they are worn out -- does not that make the investment in them safe and sound ?

Q--That does make the investment in them safe and sound.

The whole idea is to keep the equipment up to date all the time ? A--Yes.

Q--And a sinking fund is provided to take care of the bonds issued ? A--To take care of the bonds issued. As to the ten year clause, I have not any opinion; it is a matter between the Commission.

Q--It is quite within its right in not providing a sinking fund because the Statute gives them that authority, but it seems to me it is one that should not have been passed ?

A--Where rolling stock is kept in good condition and renewed when worn out, it would not be impaired.

THE CHAIRMAN: I think you ought to have in view the paying off of these bonds at the same time.

MR. GUILFOYLE: While it is desirable that the municipality should, by this method, get ownership of its railway, at the same time the payment of the sinking fund is something not very heavily indulged in by companies whose capital stock is invested. I divorce the two things one from the other, whether it is a street car or a dam, if it is properly kept up - the maintenance and the provision made for replacement and renewal at the expiry of its life, I think the one is just as sound as the other. The sinking fund question is repayment of the investment.

Q--The Act contemplates having a sinking fund and renewal fund at the end of ten years ? A--Yes.

Q--Why should not it have it at the start ?

A--That is a question as to sinking fund; I think the renewal covers it whether it is a dam or a street car.

THE CHAIRMAN: The liability would be a continuing liability on the citizens of Guelph.

COMMISSIONER HANEY: At the end of ten years it would have to be re-financed.

THE CHAIRMAN: Yes, they would have to re-finance the whole thing, and your obligation at the end of ten years is just as great as at the beginning.

MR. GUILFOYLE: I think we just came to the end of the expenditure.

Operating Revenue	$74,023.27.
Net Deficit for year after provision for instalments on account of principal and interest payable to City of Guelph, but before making provision for renewals	23,574.32.

Q--That is, deficit in the operation of the road for this year ending October 31st will be $23,574.32 ? A--Yes.

Q--That is about $500 a week ?

TO COMMISSIONER R.A. ROSS:

Q--How was the former deficit paid ? I think you said by cheque ? A--Yes.

Q--This will have to be paid in a similar way or by the sale of bonds by the Commission ? A--Yes, failing payment by the city.

Q--So that the deficits made on the street railway which is for the convenience of passengers have to be paid by the ratepayers of the city ? A--To the extent of $10,000 last year and $23,000 this year.

Q--That forms part of the general tax levy ?

A--That is the only way the citizens have of paying this money.

Q--Have you made any estimate of what amount the depreciation will be in 1922 ? A--I made a calculation based on last year's figures, and on the same depreciable plant, it is $6,600 in round figures.

Q--Is that the plant that was on last year or this year ?

A--That is the plant that was on last year and that went into operation this year.

Q--The interest which you charge in the year ending

October 31st last is $6,117.22, and within a few days you have $300,000 of bonds bearing 6% ? A--Yes.

Q--So that the interest for this coming year will be increased from $6,117.22 to approximately $18,000 ?

A--With the full issue of bonds of $300,000 at 6%.

Q--That will be $18,000 when the whole interest for the year will be chargeable, so that this item in the operating account will be increased about 200% ?

A--By about $12,000.

Q--So that the deficit will be increased from about $23,000 to $35,000 ? A--Yes, if the revenue remains constant it will be increased by $12,000.

Q--The revenue might increase and help to wipe that out ?

A--Yes, incidental to that I notice in running down the revenue account in the months of the period of rehabilitation, there has been a distinct falling off of the revenue. That is no doubt entirely caused by the breaking up of the tracks.

Q--Are they now running without interruption ?

A--No, the rehabilitation is still going on.

COMMISSIONER HANEY: In addition to that we must not lose sight of the depreciating item of $6,600 which would bring the deficit up to $42,000.

THE CHAIRMAN: The deficit for this present year will be $42,000 unless the revenue is increased ?

A--Yes, but they may anticipate to reduce the expenditure through the operation of the one-man cars -- that has been apparent in the last few months; the operation of the cars has fallen down considerably.

TO COMMISSIONER HARRIS:

Q--Has anybody made an estimate of what the increased revenue will amount to by raising the fares from 5¢ to 6¢ ?

A--I have not; the engineer may have.

TO THE CHAIRMAN :

Q--Have you an estimate of the revenue for the present year ?

MR. GABY : No, I have not. I may answer that question as to adding interest and bringing the deficit up to $42,000: you must not lose sight of the fact that during the period of reconstruction, and up to July, we have an operation loss of $2,000 a month. In the last month when we were getting the road in proper operating condition, it had gone down to $900 and $1500 a month. It has been anywhere from $2,000 to $3,000 a month. When we were operating the old cars, we had tremendous maintenance charges on them, and that had to be charged in the operation. When the proper time comes, I hope I will have an opportunity of explaining that to you so that you will get a clear idea of the reasons for this statement. We have been operating only 18 months, and during practically the whole of the period we have been obstructed by construction operation and have had to make transfers, which does not tend to get business as far as this road is concerned.

COMMISSIONER R. A. ROSS : There is a very clear account of that in the maintenance account. It seems to me the depreciation account is only a theoretical account set up in an arbitrary way which can be drawn upon from time to time, and when maintenance is required and you are under very heavy maintenance charges, as you are today, I do not think you should have to take that $6,000 into account.

MR. GABY : As a matter of fact, the equipment has been actually taken off the road and is being sold or salvaged. That is the old equipment that was being operated up until September of this year. It is now being removed from the road and new equipment put on, and there should be no depreciation charged on the equipment that is being salvaged.

COMMISSIONER J. A. ROSS : You mean that you have practically started a new business. In view of the scope of the rehabilitation you have practically built a new road, and normal charges are not justified.

MR. GABY : Quite true, and as Mr. Ross has pointed out, the maintenance charge on that old equipment is extraordinary, probably five or six times what it ordinarily should be. That equipment is not now in existence as far as this road is concerned, and all new equipment has been placed on the road, and it is practically a new road that has been built in the City of Guelph. We have had to rehabilitate every foot of track in this municipality. We have used all the material that could be used, and a very large amount of new material has been put in.

MR. GUILFOYLE : I have a statement of assets and liabilities that I think might give the Commission a better picture of exactly the borrowings on the one hand and the investment on the other. This statement is for 1921, and the other one for 1922. That is brought down to September, the latest figures I have available - and I have the approximate cost in every instance because I was not able to verify item for item, but it is a fairly clear setting up of the situation.

TO THE CHAIRMAN :

Q--Shortly what does it show ?

A--Road and equipment including the $150,000 the original purchase and additions.	$373,491.27
Material and Spare parts	
Accounts receivable	
Cash in bank	14,876.75
Small items of expenses	161.97
Balance remaining after writing off valuation expenses	1,697.39

Then passing up that detail in there because it is only a means to an end, the deficit standing against Guelph is

$16,600, brought up to the end of October. Then by way of liability, the liability of the Commission in respect of the purchase of the railway to be paid to the City of Guelph is $150,000, less two instalments paid on account of that up to the present time, reducing the direct liability to $144,000.

TO COMMISSIONER HARRIS :

Q--As you reduce that liability you add to the liability against Guelph ? A--You add to the charge against Guelph depending, of course, out of what fund they pay that amount.

In respect of the $150,000 6% bonds maturing in 1931 issued and sold by The Commission for the purposes of the railway	$150,000	
Accrued interest thereon	3,750	$153,750.

In respect of cash advances by the Commission to the Railway up to the 30th September, 1922, being part of the proceeds of a demand loan of $115,000 obtained from the Bank of Montreal on security of a second issue of the Commission's 6% bonds to the amount of $150,000, and maturing 1st May 1931	$97,294.80.

The railway is capitalized at $396,039.11, and at that time the liability to the public was $3,779.00.

Provision for renewal of road and equipment, I still retain in the statement	1,998.73

Then coming to the point Mr. Ross raised :

Reserve created by the payment out of revenue of principal instalments on account of the purchase price of the railway	5,005.69.

TO THE CHAIRMAN :

Q--Should not they get more than par for that $150,000 6% bonds ? A--They were actually sold at par. You will remember they were sold mostly in 1921.

Q--I mean the second lot. You treat that as if they just received the $150,000 for it ? A--No, I do not. The first statement, $150,000, is the purchase price, that is the first

issue of bonds. We do not know what the second issue will sell for.

TO COMMISSIONER J. A. ROSS :

Q--Are they guaranteed by the Province ? A--No.

Q--They are in fact guaranteed by the City of Guelph ?

A--By pledging their collateral.

TO COMMISSIONER HARRIS :

Q--What is the equivalent liability ?

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A--Contingent $300,000 by these bonds being pledged to the Commission, and a direct liability to the extent of that operating deficit of some $23,000.

Q--Is not the purchase of the railway by the Hydro also a contingent liability? A--It is a contingent asset. They have come back to it -- the repayment.

TO COMMISSIONER R.A. ROSS: Q--They have paid for it in former years? A--Yes, and now sold it to the Commission.

Q--Did they borrow money to pay for the railway?

A--I do not know. Let me mention as against the $23,000 deficit, there is some money of the City of Guelph, the $5850 half yearly instalment payable the 1st of November, that will apply in reduction.

THE CHAIRMAN: Would you like to ask any questions from Mr. Guilfoyle to bring out anything he has not made plain?

MR. GABY: NO, I think Mr. Guilfoyle has presented the financial statement before the Commission, and I think it might be better if I would wait until the other witnesses have given egidence, and then I could answer any points that come up.

F. A. GABY.

TO THE CHAIRMAN: Q--You might take up any matters that Mr. Guilfoyle has dealt with, that is, the financial side of it. No doubt other witnesses will take up other aspects and you can deal with them after the witnesses have been heard? A--That will be satisfactory. The first point that came up in Mr. Guilfoyle's discussion of the financial statement of 1921 was with reference to the administration expenses of the Commission chargeable to the operation of the railway ; that includes not only administration expenses but also accounting and

engineering expenses that might be charged to them from the Toronto office.

TO COMMISSIONER HANEY: Q--Would not it be well to give the Commission some idea of your local organization here: the management and how the railway is being operated and handled locally, independent of the Toronto office?

A--You mean the organization only -- just the organization of the road and the keeping of accounts?

TO THE CHAIRMAN:

Q--I think it would be useful to us to let us know the local machinery and who the men are? A--We have at present in the local organization, which is administered by what is called a Local Superintendent, Mr. House --

TO COMMISSIONER J.A. ROSS:

Q--Is he an experienced railway man? A--He was administering and operating as superintendent or manager of the road for the City of Guelph at the time we took it over. We simply took over the staff in existence at the time. In addition to that we have conductors and motormen, and maintenance of way men and maintenance of equipment department. The maintenance of way has been under the engineers' department from Toronto, and maintenance of equipment is carried on by Mr. House, but the whole of it is directed from Toronto by the General Superintendent who administers all railway properties. That is, the local superintendent is under his charge, and our general superintendent has charge of all railways, such as the Sandwich, Windsor and Amherstburg Railway, the York Radials and each system has its own district or local superintendent.

THE CHAIRMAN: Mr. Carter, one of the witnesses, has to leave shortly and this seems to be the only chance to hear him before he goes, and if you would not mind, we will hear him now.

J.E. CARTER:

THE CHAIRMAN: I think we will let you tell your story in your own way.

MR. CARTER: I might say that in 1919 I was Mayor of the City of Guelph, and one of the important questions in the City was that of transportation which had gotten into a very bad shape. There was also a desire of the people to get connections outside. We are isolated in so far as radials are concerned, and there seemed to be a disposition to secure some outlet to the south and to Puslingh Lake which is the property of the City of Guelph and owned by the street Railway -- a small lake, nine miles from here.

TO COMMISSIONER R.A. ROSS:

Q--How long had you been operating the railway?

A--I cannot state the exact date; it would be somewhere in the neighborhood of ten years . It was operated first by a Commission, and then afterwards by a committee of the Council. To further that object, the Railway Committee of the Council, the City Manager and myself began to investigate what we could do in that line. First of all, we put the question to one of the local C. P.R. men whether they would be interested in helping solve the question, seeing that we were then partners of the C.P.R. in the Guelph Junction Railway which had proved to be a very profitable proposition for the City of Guelph; that is the steam railway line running from the station at Guelph to the junction of the C.P.R. That had worked out very satisfactorily to the citizens, and we felt if some arrangement along that line could be made, it would probably work out satisfactorily to the City of Guelph. At first it did not appeal to the C.P.R., but we put it up to them in this way: that we were partners, and we believed they could be of assistance to the City of Guelph and make it a paying propostion as far as

they were concerned as well as the city. The result was that a bylaw was submitted to the ratepayers, and I have a copy of that bylaw which I will submit. I took this copy yesterday from the records at the City Hall, and you may keep it.

TO COMMISSIONER J.A. ROSS:

Q--You had not made any money up to the time you approached the C.P.R.? A--No, we had not although we were led to believe we had.

Q--You had not set up any depreciation or taken care of your rolling stock? A--No.

Q--You had lost money? A--Yes, it had been losing money.

TO COMMISSIONER HARRIS:

Q--Had you lost money continuously from the time the railway was first built? A--I would not like to speak positively, but generally speaking, yes.

Q--It had paid its operating expenses apart from the fixed charges? A--No, I do not think so.

The purport of the agreement with the C.P.R. was that they would take over the management on behalf of the City of Guelph for 25 years. They were to manage the road in the same manner as their own line was managed, that is the Grand River line running from Hespeler down to Port Dover, and that was the line we were anxious to connect up with by a spur line between Hespeler and Guelph over to Puslinch Lake. That would give us connection to that district which we were very anxious to get, and we wanted to get in touch with Brantford, Paris, Simcoe and Port Dover. It takes practically a day to reach these places now; in fact you cannot go there and back in a day and do any business.

TO COMMISSIONER HARRIS:

Q--You said Brantford? A--Yes, that same line runs through Brantford, Paris and Simcoe.

Q--Puslinch Lake is on a direct line between here and Hespeler? A--No, it would require building a spur of about three miles. In addition to the terms, which I will explain, of operating the Guelph line, we were particularly anxious for outside connection, which they undertook to give. We felt that the City was not capable and did not have the money to undertake a proposition of that kind, and the management was to be on the same basis as the Grand River Railway. It could not be increased beyond the ratio of their own line.

TO THE CHAIRMAN:

Q--Was the total cost of operation to be paid by the C.P.R.? A--Of the City here -- the total cost from Guelph to Hespeler and the Lake was their property and we had nothing to do with it, but inside the city we had it much on the same line as what we have now with the Hydro, but there was some difference in connection with the arrangement. The final analysis was that Guelph would have to stand the loss, similar to what they have to stand today.

TO COMMISSIONER J.A. ROSS:

Q--The full loss? A--Yes.

Q--And you would get the full profits? A--No, half the profits -- 50% -- the C.P.R. claimed that with their management and equipment and so on which they would place at our disposal was with a profit to them: if their men were going to operate.

TO COMMISSIONER R.A. ROSS:

Q--Would you have to give up your half ownership in the Junction Railway? A--No, this had nothing to do with that ownership.

TO COMMISSIONER HARRIS:

Q --Would you get 50% of what they made on the outside line?

A--No, we had nothing to do with that.

TO THE CHAIRMAN:

Q--They received the whole of the profits of that, and they agreed that their charges should be on the same basis as the rest of their line? A--We had absolutely nothing to do with the line outside of the city, in regard to the expenditure or the cost of management or the profits or anything else.

Q--You were interested in the rates? A--No, just the rates in the City of Guelph.

Q--Did you have anything to say about the rates that should be charged on the line outside? A--The rates were to be the same as on their other lines - standard rates. The bylaw was submitted, I think on the 11th of August, 1919, and they were to commence immediately, and the Grand River Railway were to spend $16,500 of their own money in Guelph, that is, on the Guelph Railway on the roadbed and overhead plant and equipment and rolling stock so that the line would be put in working order. That was in addition to the amount required to be taken from time to time from the gross earnings from the Grand River Railway to construct the line from the present system to Hespeler and a spur to Puslinch Lake at their own expense, both as to right-of- way and as to the cost of the work, and they were to commence as soon as authority was given by the Legislature, and the work was to be completed within 12 months after the commencement. They were to give a ten minute service from the City of Guelph, and it was to be operated on a joint account for the Grand River Railway and the City of Guelph - net profits to be divided equally, and to take care of the interest and sinking fund of $169,000 which still stands against the purchase price of the road they were taking over. That had to be taken care of out of the earnings. The City is paying interest on $169,000 and sinking fund of the original amount chargeable against the road.

Q--So that you sold it to the Hydro for less than it actually cost you? A--I cannot say whether a sale was made. I might interpret that wrong. If we did make a sale, we sold it for that much less - $169,000 was the outstanding liability at that time against the road.

TO COMMISSIONER HARRIS:

Q--Has the city from its general revenue taken care of the sinking fund? A--They will have to, because it is bonds of the City of Guelph for $169,000, and the City of Guelph will have to pay the bonds.

Q--Is that in addition to the payment of $150,000?

MR. GABY: We pay all the charges of the bonds issued by the city as part of the construction of this railway. We pay all the interest and sinking fund, and we figure over a period of 20 years, it will wipe off these bonds.

Q--That is in your total payment to the city amounting to $150,000?

MR. GABY: It was not arrived at in that way; it was assumed that $150,000 represented the valuation, and that was simply a bookkeeping entry. The actual payment to the municipality is interest and sinking fund charges on the outstanding debentures of the municipality. It is so much paid to them entirely for that purpose.

Q--$150,000 and interest on that is the full amount you will have to pay to the city?

MR. GABY: $150,000 was simply a bookkeeping entry as representing the value of the road. What we paid to the city is cited in the agreement as so much half yearly, $5885, which is the interest and sinking fund on the outstanding debentures of $169,000, and that will pay off these debentures at their maturity.

TO COMMISSIONER HANEY:

Q--That amount is not calculated on the $150,000?

A--No, it is taken actually from the annual payments, so that the road really carries all the debentures that are outstanding against the road.

COMMISSIONER HARRIS: You are paying to the City of Guelph these $11,700 payments a year, which is supposed to cover those charges, but the City of Guelph has to make up any deficit?

MR. GABY: Yes.

COMMISSIONER HARRIS: You are paying them $11,700 and the operation this year has not paid expenses, and the City of Guelph will have to pay you back about $23,000?

MR. GABY: Yes, it is just carried on in the same manner as it was before.

THE CHAIRMAN: The deficits they are paying now may not be any more than the deficits they would have to pay if they continued to operate it themselves?

MR. GABY: We were operating it for the municipality.

MR. CARTER: The $169,000 must be taken care of by somebody.

COMMISSIONER HANEY: The City of Guelph stands in the breach.

MR. CARTER: In addition to the bonds already issued to the Hydro Electric, these bonds must be accounted for?

TO COMMISSIONER R.A.ROSS:

Q--The riding public are responsible for that original indebtedness of $169,000, but if there is a deficit it comes out of the general taxpayer? A--I cannot answer that question in the way you put it other than to say that I am not referring to the man who uses the cars; I am referring to the City of Guelph, and they have to take care of the $169,000 in some manner whether it is through tickets or taxes.

TO COMMISSIONER R.A.ROSS:

Q--Here is an operating account which shows the operating

condition of the system, and included in that, I understand, is not only interest charges on their fixed charges, but $150,000 and interest and fixed charges on $169,000, and if there is any deficit it has to be paid by the general tax-payer? A--Yes, the $169,000 was chargeable to operating expenses under the agreement, and they were to contribute $16,500 towards the work of putting the road in condition, and if they lost money, the City would have to pay. There were no bonds put up by the City of Guelph; they took our word for putting up any collateral in any shape or form. We could do whatever we desired in settling that deficit. The fare to be charged was 5¢, or six tickets for 25¢, and ten tickets for 25¢ for school children, and no charge was to be made except on the authority of the Legislature.

TO THE CHAIRMAN:

Q--So that increases could be made by authority of the Legislature? A--Quite right. All passengers coming over the railway from the Lake or from Hespeler, on entering the city or leaving the city paid the city fare which went to the credit of the Guelph Street Railway. That was the point by which we hoped to help out our street railway, and make it pay, because the traffic, especially during the summer months to the Lake and to Hespeler and Galt would be extensive. I am safe in saying that one day 5,000 people came up here to see the finals in the baseball match, and no doubt if we had railway connection by radial instead of having two special trains on the steam road, the people would have come by radial, and on entering the city lines they would contribute 5¢ to the Guelph Street Railway.

Q--That is a very important consideration? A--That is one thing we figured that would help in some way to overcome the deficit which we had been up against.

[illegible] of the system, and including a [illegible], I understand, [illegible] not only interest charges on their [illegible] charges, but $[illegible],000 for interest and [illegible] charges on $[illegible],000, and it [illegible] is my belief it [illegible] to be paid by the revenues [illegible] support [illegible], [illegible] [illegible] expenses under the agreement, and they were to guarantee $[illegible],000 towards the work of getting the road in condition, and if they lost money, the city would have to pay. There was to be [illegible] put up by the City of Guelph; they took our road for putting up any collateral in any shape or form. We could do whatever we desired in getting the [illegible]. The [illegible] to be charged was 1d. or six tickets for 25¢, and the tickets for 5¢ for school children, and no change was to be made except on the authority of the Legislature.

BY THE CHAIRMAN:

Q--Do that increases could be made by authority of the Legislature? A--Quite right. All increases coming over the railway from the lake or from Georgian, or entering the city leaving the city, with the city zone which goes to the south of the Guelph Street Railway. That was the point by which we hoped to help out our street railway, and make it cut [illegible] the [illegible] [illegible] leaving [illegible] to the lake and to Georgian and Gait's wonderful [illegible]. I am sure I am saying that one day 5,000 people came up here to see the [illegible] in the [illegible], [illegible] [illegible] and railway connection by radial lines of having two [illegible] trains on the [illegible] road, the people were [illegible] [illegible] on entering the city. Since they would contribute by [illegible] [illegible].

Q--That is a very important consideration. A--That is one which we figured that would help in [illegible] overcome the deficit which is not been [illegible].

TO COMMISSIONER HANEY:

Q--You did not give this new radial a free entrance to the centre of the city? A--Their cars would operate to our square and a 5¢ fare would be paid.

Q--On everyone who would be brought in you would get 5¢.

A--Whatever fare was charged inside the city limits; if it was a 7¢ fare it would be 7¢.

TO COMMISSIONER HARRIS:

Q--They would make no charge for the use of their cars after they passed the city limits? A--No, we had that use free.

Q--Really they furnished you with transportation for these passengers without any expense to yourselves? A--Yes.

Q--And the 5¢ would be almost clear profit? A--There would be a certain amount of power. About the 1st of August, Sir Adam Beck submitted a stock resolution to the City Council asking them to pass a bylaw authorizing the issue of $75,000 to be paid on the London and Toronto line of the Hydro.

Q--That was the line proposed at that time? A--Yes, and quite a bit was made of that, and criticism was made of the Mayor because he did not authorize the council to pass this $74,000 bylaw until voted on by the ratepayers.

Q--That was in connection with the railway between here and London? A--Yes, there was quite a bit of argument that council would not father a proposition of that kind unless the ratepayers voted on it.

Q--Was that the Hydro's first introduction into your radial system? A--Yes, that was the first one.

Q--Was Sir Adam invited by the citizens? A--I could not say.

Q--Were you Mayor at the time? A--Yes.

TO COMMISSIONER HARRIS:

Q--Did you invite him? A--I certainly did not. I felt

the Guelph people were quite competent to deal with their own affairs.

Q--If he received an official invitation you would know?

A--There was no official intimation at that time.

THE CHAIRMAN: He may have been asked by some citizen.

MR. GABY: May I explain that $74,000?

MR. CARTER: I am going to explain that later on. I just want to take up the campaign that was started and the fights that took place. About five or six meetings were held here in the city in the interest of Hydro in which the agreement with the Grand River Railway got all the criticism that it could possibly get.

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TO COMMISSIONER HANEY:

Q--By whom? A--By Sir Adam Beck.

Q--Favourable to it? A--Very unfavorable. At that time there were a number of questions asked in regard to his stand on the matter, and in trying to answer these, there was the following statement made by him. A number of citizens would like to know where the money came from, and we want to know whether we are paying it in our power charges or whether the Government is paying it. In answer to the 29 questions put to Sir Adam, he answered one of them by saying that six lines had been surveyed out and into Guelph and $180,000 had been spent in making these surveys. As a customer of the Hydro I would like to know where that money came from, that $180,000 which Sir Adam said had been spent in surveys of six lines in and out of Guelph.

TO THE CHAIRMAN:

Q--Was that survey made about that time? A--I cannot say whether the surveys were made or not. I have his answer to the questions in the papers. 2500 miles of railway had been surveyed in 300 municipalities, and the cost would be $30,000,000. The report of his speech is in one of these papers in my hand. At that particular time, a meeting was organized at Galt. We were supposed to be the hub here of all the railways, and everything was coming into Guelph according to the notice in the press. A meeting was held in Galt to which the Hydro supporters in the district were invited--in fact I think Mr. J.M. Taylor of Guelph was there--but I did not get an invitation, although I was Mayor. Every means was used to stampede the citizens of Guelph in connection with the transportation here which I thought was entirely out of place. They practically stated that a ring would be built around Guelph by the Hydro and we would

be left isolated if this agreement with the Grand River Railway was proceeded with. The Hydro agreement is for 50 years, and we have absolutely no say in the matter, and we have to pay whatever the Hydro demands of us and have no say in it except that we have to pay the deficits, but if the burden becomes too severe, the people may get the Legislature to help them out of the position we have got into.

The question was asked Sir Adam if he would give the same agreement as the Grand River, and he stated he would give a better one. You have the two agreements before you and you can decide which is the better agreement, and also as to the length of time the city is bound. The statement was made that if this Agreement went through, that the Grand River Railway would prevent any other railway coming into Guelph. Under the Hydro Railway Act that same thing applies as far as our present situation is concerned. No other railway can operate over the streets of Guelph except by consent of the Hydro. On December 4th, Engineer Gaby advised us that the total expenditure to fix up the road would be $150,000. We have already handed over to the Hydro $300,000 in bonds as against the original statement of $150,000, which was to be the total amount we would have to pay.

TO THE CHAIRMAN:

Q--Was that for these new cars? A--That was the total expenditure, and it is taken from the report of Mr. Gaby's speech in the press. To fix up the road, the total expenditure would be $150,000, and he made a subsequent statement that it would possibly require $30,000 or $40,000 for a few years after that to bring it right up to proper running shape.

Q--$30,000 or $40,000 a year? A--Yes, to bring it up, in addition to the $150,000.

TO COMMISSIONER HARRIS:

Q--Not a year? A--Yes, a year.

TO COMMISSIONER HANEY:

Q--Would that be in excess of the revenue? A--In excess of the $150,000.

Q-- In excess of the revenue? A--That was not stated.

Q--For how many years? A--He finally figured it up that possibly the total cost would run to $230,000. $300,000 has already been given by the City, and if we have to take his statement at that time it will require $30,000 or $40,000 a year in addition to that for the next several years, and it looks very much like $400,000 will have to be paid--taking his own figures--not including the $169,000 which we are obligated for.

TO COMMISSIONER J.A.ROSS:

Q--That is $569,000 you look for? A--Yes, $569,000. As I said before, the whole press at that time led the rate-payers here to believe that Guelph was bound to be the hub of the Hydro Electric operations in this particular section. There were to be lines running from the north, east, south and west.

Q--Were the whole 2500 miles of line to centre here?

A--I do not know whether they were all to be centred here or not, but it was stated $180,000 was spent in making surveys, and that the railway would take care of all expendi-tures. Now we have made the expenditure on our own railway, but we have no connection, and the present earnings in the city are not sufficient to pay expenses. The rate-payers were led to believe that Guelph was going to benefit by these connections coming in.

TO COMMISSIONER R.A.ROSS:

Q--You are left in the same position that you were in before, with the additional load of capital expenditure?

A--$400,000 or close to that.

TO COMMISSIONER J.A.ROSS:

Q--But you have got a new railway?

A--That won't cause any more people to ride on it unless we get connections from the outside.

Q--It might make a few more. Your local people will ride oftener on good cars than they would on poor ones. I understand when the Hydro took it over, it was a poorly run railway; the rolling stock was depreciated, and it was hardly safe to ride on it, and now you have an A.1. railway, and when it is rehabilitated it should be a great asset to your city in many ways.

TO THE CHAIRMAN:

Q--The only way to put it on a paying basis is to bring in this outside business? A--There is no question that is our only salvation.

Q--That would have been given if this agreement with the C.P.R. had been carried out; you are not getting it now but you may hope to get it in the future?

A--No, I do not think it would have been possible. If the statements made at the meeting by the Hydro speakers had been carried out, we would probably have benefitted more than with the Grand River Railway, and that is the reason our ratepayers favored it.

Q--You think they would not have favored it if they had known they would have to incur all this expenditure without getting outside assistance? A--I do not think they would.

TO COMMISSIONER J.A.ROSS:

Q--You have to have street railway service here; you cannot get on without local transportation? A--It would be a difficult matter when the people have become used to it.

Q--You are growing? A--Yes.

Q--Your people cannot all walk. You have got to have a

railway, but you think the local traffic would not justify the expenditure that has been made?

A--No, certainly not.

Q--Did the C.P.R. make any representations about running the road at a profit, how long did they estimate it would take before they could run the road at a profit?

A--No public statement was made along that line, they said they believed that with the connections and through the fact of their being interested in the other road that it would be necessary for them to use every industrial part of their organization to see what they could do to bring into Guelph industries and people so as to make their proposition pay them.

TO COMMISSIONER HARRIS:

Q--How long has the Guelph Junction Railway been running?

A--I think it was built in 1885 or '87 or '88.

Q--Was the present arrangement entered into at that time?

A--Yes, sir.

Q--How has that paid the City? A--Handsomely.

Q--Every year? A--For about the first ten years it did not pay the City, in fact when it first started it was considered somewhat of a white elephant but it gradually pulled up until the line was extended to Goderich and then we got the wheat shipments down over that line and since then it has paid very handsomely.

Q--What distance is it from here to the Junction?

A--16 miles.

Q--What does Guelph get out of that?

A--40% of all the receipts of the road over that 16 miles. For instance if a car of wheat leaves Goderich going through to Montreal it is figured at a mileage basis and on the 16 miles to the City of Guelph we get 40% of the earnings.

The same thing applies if a man buys a ticket from Guelph to Toronto we get 40% of the 16 miles.

Q--How much does it amount to in dollars? A--Approximately $80,000 was paid to the City last year.

TO COMMISSIONER HANEY:

Q--What was the City's investment? A--Approximately $173,000.

Q--It was a good investment? A--I would say so.

TO THE CHAIRMAN:

Q--Would the building of the proposed Hydro lines have taken away any business from the Guelph Railway and reduced your profits? A--It would have.

TO COMMISSIONER HARRIS:

Q--What compensating advantages would you get?

A--The only thing possibly would be better facilities for people in Guelph getting in and out or for doing their shipping. An estimate of the cost of this work was made in 1919 and 1919 was the peak of prices as we have seen them in our time and $150,000 was to do that work. Since then the majority of the materials, and labor have been considerably less than they were in 1919. Notwithstanding that fact the amount we have to pay in bonds is much more than that estimate and that was made in 1919 and we would like to know why the estimates are so much more; considering that prices are lower than they were in 1919.

Q--Have you made any investigation of that yourselves?

A--No, we have not.

TO COMMISSIONER R.A.ROSS:

Q--I think you will find the peak of prices was in 1920 and 1921? A--This campaign was on in December 1919 so that it comes pretty near to 1920 and the work has been done in the last 18 months. In a report of speeches made by Sir Adam Beck and Mr. Gaby on December 8th, they both stated

very emphatically that they did not believe in increasing the fares and that the engineers were opposed to increased fares and that the present rate of 5¢ or six tickets for a quarter would be maintained and you will note an editorial in the Mercury on December 9,1919, to that effect but today we are paying a 6¢ fare.

TO COMMISSIONER J.A.ROSS:

Q--Do you know of any place where they are only paying a 5¢ fare? A--I do not, I am talking of the promises that were made at that time and how they were being carried out.

Q--Was it promised or did they merely express that desire?

A--On December 5th Sir Adam Beck stated and Mr. Gaby stated that they did not believe in increased fares and the engineers were advised to base the fares on the present rate of 5¢ or six tickets for 25¢. I do not want to criticize the rate but I want to call your attention to what we were promised in connection with the agreement and what has been delivered to us.

THE CHAIRMAN: They are paying a 5¢ fare in Brantford.

COMMISSIONER HANEY: And in Ottawa.

MR. CARTER: At the same meeting it was stated to the people that the pavements between the tracks would be taken care of by the Hydro and the people thought they were being relieved of that expense and you can quite understand that these have to be taken care of and if so it must come out of the ratepayers and the ratepayers were misled as to what they really had to do.

COMMISSIONER HARRIS: The railway is not required to pay any taxes to the city? A--It has to pay according to the agreement for the right of way and so many inches outside the rails and between the tracks. The general feeling of the people was they were being relieved of doing that

work but in the final analysis they pay it just the same.

Q--Was there anything said at the time as to the people having to put up $300,000 in bonds? A--In the Mercury of December 8th, at the time the railway was sold to the Hydro the bonds were to come to us to the extent of $150,000 bearing 4½% interest, notwithstanding the fact that Government bonds at that particular time were yielding 5½%, but there was not much in that because supposing I went to the Chairman and said, "I will buy your business, I do not care what the price is and I will issue bonds at 4½% but you cannot sell them and you must hand me double the amount of your bonds and I will run your business and you will have no voice in the matter and all you have to do is to get out your cheque book when I ask you to supply losses." The people in Guelph considered they were getting $150,000 in cold cash.

COMMISSIONER HANDY: Not a gold brick?

A--I do not know what it was but that was the situation as the people viewed it; they were selling the railway and getting rid of it, that is what they thought but in reality they were getting nothing for it except bonds that they could not even use if they wanted to take them to the bank and put them in as collateral.

TO COMMISSIONER HARRIS:

Q--Bylaw 1449 which was submitted to the people at the time says nothing whatever about $300,000 of bonds, it just mentions a consideration of $150,000 why were not the other matters mentioned in the bylaw? A--The only place the other matters were mentioned as far as I can recollect was on the public platform.

Q--It must have been mentioned in the agreement?

A--I have not got a copy of it, it may be in the Act.

Q--The Act was not even drafted by the Hydro Electric

Commission and submitted to the Legislature until after the bylaw was voted on by the electors?

A--Of course there were changes made in May 1920 I think because the Legislature would not stand for the original Act but just what these changes were I am not prepared to say.

TO THE CHAIRMAN:

Q--Was not the City of Guelph represented when the Act came before the Committee of the House?

A--Probably we were.

Q--Was there any opposition on the part of the City?

A--I do not know.

Q--You do not know that there was any? A--No.

TO COMMISSIONER R.A.ROSS:

Q--Was it a public or private bill? A--I could not say.

TO COMMISSIONER J.A.ROSS:

Q--Under section four the Commission is authorized to increase the debenture issue? A--As I understand the agreement that the people voted on we handed the Hydro bonds to the extent of $300,000, or we will in course of a few days and according to the Act we have to put up an additional $300,000 as a guarantee against loss. We will have to put up $600,000 on Guelph bonds which will be in the hands of the Hydro and I think that will seriously interfere with the financial credit of the City of Guelph.

THE CHAIRMAN: It will have some effect on your credit but you will have the railway as security for your bonds, it will not affect your credit so much as if you had a non-productive enterprise.

MR. CARTER: If a man endorses another man's note his credit is that much less. I think it was in May or June of this year that they asked for further bonds and the City of Guelph have to put up dollar for dollar in bonds as

security against actual expenditure and why is there no power given to change that. As it stands today the Commission have no guarantee from the City of Guelph for any loss because these bonds have not been issued and nothing has been said about them. Now the question is supposing the City of Guelph refuses to pay the loses then their original plan falls through.

THE CHAIRMAN : I think you are liable for the loss even if the Commission do not hold your bond.

MR. CARTER : Should not the original agreement be carried out ?

THE CHAIRMAN : Do you mean the bonds should be put up ?

MR. GABY : In the first place the municipality issued $300,000 of debentures as collateral security and the Commission only issued $150,000 of its bonds. It was considered that the $300,000 issued by the municipality as collateral security for the $300,000 of bonds issued by the Commission and we had the right to issue the other $150,000 without any further issue from the municipality.

COMMISSIONER HANEY : One set of bonds is at 4½% and your bonds are at 6%.

MR. GABY : There is some difference in the Act and the agreement calls for 5% and the Act calls for 6%.

THE CHAIRMAN : Do you find it easier to sell your bond when you have a collateral from the City for an equal amount ?

MR. GABY : Yes, these bonds were already given.

Q--That was $300,000, but now you want more than $300,000?

MR. GABY : No.

Q--You have issued $350,000 ? A--We only issued $300,000 so that the additional $150,000 which we are issuing were issued under authority of the City.

Q--If you issue more you will ask the City to issue further bonds ? A--Yes, if we come again to the City for additional money at any time.

COMMISSIONER HANEY : Is it considered that $300,000 5% bonds running for 50 years is good collateral for the $300,000 6% bonds which you are issuing running for ten years ? A--I do not suppose they would be as good as the 6% bonds.

Q--Having a life of 50 years I suppose it would make them pretty near equal ?

MR. GABY : Yes.

COMMISSIONER J. A. ROSS : There is no limit as to the amount you can come on the City of Guelph in the way of bond issues.

MR. GABY : No, it has to be passed by a proper bylaw of the municipality. We first have to have the authority of the municipality authorizing us to issue bonds for construction, then the municipality has to issue debentures.

Q--You can compel them to issue bonds equal to the amount you have to issue for the purpose of the railway ?

A--I do not know as we can compel them, I think they have to issue a bylaw first.

Q--Could not you compel them by a mandamus to issue bonds ? A--I do not know whether we have that authority or not.

COMMISSIONER HARRIS : Could you come back to Guelph and demand another $300,000 of their bonds ?

MR. GABY : If it is necessary in the interest of the railway to carry on the business of the railway and if it is deemed necessary for that purpose we come back to the municipality and they will pass the necessary bylaw and we may then issue our bonds.

Q---You mean if the Hydro deem it necessary ?

MR. GABY : Then the municipality would have their say as to whether it was necessary or not and would issue their bylaw.

Q---The City of Guelph would have nothing to say about it ?

MR. GABY : They have to pass the bylaw before we can issue the debentures.

THE CHAIRMAN : The Act goes pretty far and I think you could compel them.

MR. GABY : I do not know that we can.

MR. GUILFOYLE : Subsection three of section four covers that, they may if it is deemed necessary but it is with the consent of the corporation.

COMMISSIONER HARRIS : Then your statement is not quite correct on that ?

MR. CARTER : I do not say that they can demand it but I say according to the terms notwithstanding what may be contained in the agreement if there is a deficit and the City does not come across with the cash they must come across with bonds, so that it amounts to the same thing.

THE CHAIRMAN : If the Hydro has already handed your bonds over to the people from whom they have borrowed they won't have any other bonds in their hands which they can sell, they have exhausted the bonds they now have in their hands.

MR. CARTER : That is the point I tried to bring out, that as far as the original understanding is concerned that is being done. If we have a deficit and they have not any bonds in their hands and if Guelph refuses to pay, where is the Commission going to get the money ?

Q---They can sue and get judgment ? A---We will have to pay just the same.

Q---If they had your bonds they would not have to apply to

you for the money ? A--In other words if the Hydro were carrying out the original contract with the City of Guelph they would not have to pay, they would have to put up bond for bond as guarantee against losses.

COMMISSIONER R. A. ROSS : The situation you had before was that the railway was going behind and you turned it over to new management to act as trustees and the new management has no pocket to take money out of and you have to pay whatever the losses are, that is the plain English of the matter?

A--That is correct.

THE CHAIRMAN : And Mr. Carter says that this was all done on the understanding that they would have these outside railways to swell their revenues.

MR. CARTER : The point I want to bring out is the fact that the people when they voted believed that notwithstanding the criticism of those opposed to it they were prepared to hand this railway over and they thought it would get them out of the position they were in. Sir Adam Beck came along and he said to them, "Control your own road through Hydro and you will get all these connections into the City". He stated that these lines had been surveyed leading into Guelph and he said there would be a chance to break even. I think the people generally had that understanding. In other words if that had not been done I believe the people would have been prepared to scrap the road and pay the $169,000 and put in a bus service or something like that, I think that is what they would have been prepared to have done. We would have had to have transportation but if the people had been faced with $300,000 or $400,000 I doubt very much whether the electors of the City of Guelph would have voted for it.

THE CHAIRMAN: Today you have a liability and you have not the radials to help pay that liability ?

A--No.

COMMISSIONER HARRIS: The Act in clause five, sub-section four states that if the debentures are insufficient to meet all payments required to be made the City shall issue debentures forthwith to make up the deficiency. I do not see that Guelph has any chance of getting out of that.

MR. CARTER: Guelph has to pay one way or the other.

Q--That puts a different complexion on the statement made by Mr.Gaby ? A--The City is compelled to issue the debentures.

MR. GABY: That section refers to losses and deficits on the railway only. We do not have to issue any more bonds, it is only in case a municipality defaults in the payment of deficits and then we can have recourse to these debentures.

Q--You have used all the debentures up you have in your hands ?

MR. GABY: Yes.

Q--Then after that the City of Guelph has got to hand over to you their bonds to take care of any further payments that may be necessary ?

MR. GABY: No, it is only in the case of debentures that have been used for the purpose of making good deficits on account of the default of the municipality to pay them.

Q--The City of Guelph have nothing to say in the matter ?

MR. GABY: In connection with the deficits only.

Q--If the road is running behind the City of Guelph will have to hand over to the Hydro sufficient bonds to cover the deficits.

MR. GABY: The bonds or the money.

MR. CARTER: Of course Sir Adam Beck and Mr.Gaby made it quite clear to the people and you will find it in their speeches here that they did not think it was possible to make the Guelph Street Railway pay without the outside connection and that is what they proposed giving.

COMMISSIONER HANEY: Their prophecy has been correct up to the present time ? A--Mr.Gaby was clear on that and

he did not believe that a city under 30,000 people could make a railway pay.

TO THE CHAIRMAN: It is not likely the Hydro would have encouraged these expenditures if they thought there was no possibility of getting the radials ?

A--We hope so, for the London and Toronto road we were to pay $240,000, that was our share, and for the Elmira and Hamilton Road Guelph would have to pay her proportion of $6,500,000.

Q--Guelph would be willing to assume a liability of $800,000 or $900,000 ? A--I doubt if they would unless they were sure it would bring them out right.

COMMISSIONER HARRIS: I think the arguments you have brought up would carry with the people of Guelph ?

A--They did the last time, any statements I have made will be found in the editorials I have here, these are all Guelph papers.

Q--Is there anything more then you would like to say ?

A--No.

MR. GUILFOYLE: Before Mr.Carter concludes the question of the original price it should be cleared up.

THE CHAIRMAN: I understand from Mr.Carter that the amount of bonds that the City had issued at the time of these negotiations was $169,000 and the amount the Hydro was to pay was $150,000 and on the face of it that would seem to fall short of the value of the road.

MR. GUILFOYLE: I think I can make that clear; the corporation agreed to sell and the Commission agreed to purchase all the assets of the undertaking, the price to be $150,000 payable in 20 instalments of $11,700 including interest in half yearly payments of $5,850. There is no mention of the $169,000. I made the calculation last year of what 40 semi-annual payments of $5,850 each would amount to and if the Commission paid 40 semi-annual payments it would

cover all the interest and the $250,000 bonds and $6,976.29 over.

COMMISSIONER HANEY: Then that will not pay the total obligation of the City of Guelph in connection with the $169,000.

MR. GUILFOYLE: No.

Q--I understood from Mr.Gaby that it would ?

MR. GABY: It was based on the idea that it would take care of all these annual payments.

THE CHAIRMAN: Perhaps the $169,000 had been reduced to some extent ?

MR. GABY: That would all depend on what amount of sinking fund they had in their hands at the time the agreement was made.

COMMISSIONER R.A.ROSS: Did that $169,000 include deficits of previous years ?

MR. GABY: No.

MR. CARTER: The reason that was brought out was that there was a question of the agreement with the Grand River Railway, that was a fixed charge against the railway which would have to be paid through operating expenses. If this money which was paid by the Hydro to the City is not earned by the railway it must come out of the taxpayers. There is no use trying to becloud the issue. The fact remains that all these payments by the City of Guelph must either come out of the fare boxes or out of the taxes.

MR. GUILFOYLE: An error would appear to have been made if the purchase price is $150,000 because the payments would only be $6,967.29 over $150,000.

THE CHAIRMAN: What rate of interest are you paying on that $169,000 ?

MR. GUILFOYLE: I think it is 5. Of course these bonds were issued some years ago but I would say 5. would be

the amount of interest.

MR. CARTER: There is one word I would like to say with regard to the other department, that is the Light and Heat Department of the Hydro Electric business and I would like to say as a citizen that I am well satisfied with it. The service is well given and the prices we have to pay as far as domestic service is concerned are satisfactory. I do not want it to be considered that I am out and out opposed to Hydro but I am opposed to this arrangement with the City of Guelph and have been from the start. I believe it was a costly agreement for the City of Guelph.

Q--Your feelings towards Hydro are different when it comes to running a street railway ? A--As far as the other part is concerned I have nothing but praise to give.

Q--Have you anything to say as to whether there is any incompetency in the operation of the street railway ?

A--I believe Mr.House as far as operation is concerned has given the travelling public good service.

Q--In construction ? A--I am not in that business and I could not criticise that because I do not know anything about it but in so far as the operation of the cars is concerned I believe the local manager has given us the best service it has been possible for him to give.

COMMISSIONER R.A.ROSS: Just as good as the C.P.R. could have given ? A--I think so, it is only a question what position we have got into by the agreement.

Q--You are quite satisfied with the way the light and power is administered ? A--I am as a user of it.

Q--Do you think the loss on the street railway should be charged to the people who pay taxes ?

A--No, I think the man who uses the cars should pay for it.

Q--If you make the fares too high the people will not

ride on the cars at all ? A--That is right but it seems to me to be an injustice to charge a man for something he does not use.

Q--You are all citizens of Guelph and you need a street railway ? A--Yes, personally I would feel it was my duty to contribute my share as a citizen if I was not a user.

THE CHAIRMAN: The law has provided that the man who does not use the cars must dip into his pockets and pay the deficit, the corporation has to pay it ?

A--Yes.

COMMISSIONER HARRIS: Do you know how much power is taken by the street railway ?

A--I do not, the manager might be able to answer that question.

Commission adjourned at 1 p.m. until 2 p.m.

---Guelph, November 9th, 1922.

---2 P.M. RESUMED.

F.A. GABY.

I did not prepare anything in order, and I will simply try to answer any questions, as I did not prepare any statement on the proposition, and I did not know what you were coming here for altogether. I will take up the discussion that has been had on the financial statement. As Mr. Guilfoyle has pointed out, he has given you complete information on the financial statement and the balance sheet of the Guelph Radial Railway, and I do not think it will be necessary for me to say anything more excepting to probably make a comparative statement of what the Commission are doing at the present time in reference to operation and to point out what these statements include, which was not included in the original operation of the company before it was taken over by the Commission.

TO THE CHAIRMAN:

Q--The original estimates? A--No, the original operation of the railway. After taking it over by the Commission as included in the 1921 statement, there was provision for renewal of $1,9.9.73 as brought out by Mr. Guilfoyle, and also a considerable amount of taxes to the extent of $1538.38 ; for the seven month s' operation and liability insurance of $856.69. Those are some of the items that have been included in the operating statement as presented to you which are usually not put in the operating statement. Take 1919 as an illustration, we find that the net operation showed that there was, without taxes, a loss on account of operation, and without depreciation or renewal of something like $2,000. That was the net operating loss during 1919.

Q--When the city was operating? A--Yes, with a revenue of

approximately $70,886.

Q--What were the amounts paid which would come under the head of transportation expenses? A--The total transportation expenses amounted to $36,857.

Q--That must have included something that is not included? A--Yes, it did not include all items as here. You cannot compare it item by item.

Now take the operating statement of 1922, notwithstanding the conditions under which we are operating we have a condition where the net operating deficit in the year 1922, notwithstanding a great deal of increased service probably 30 to 40% as far as mileage is concerned, we have only $2356.69, but included in this operating expense is liability insurance which was not carried as far as the municipality was concerned to my knowledge, of $2497. What I want to bring out is the net operation as of 1922 as against 1919, and the increased wages in the interim period and the increased cost of material during 1921, yet we have approximately the same conditions, and that is also with the obstruction due to the rehabilitation coming on at that time, so that our operating conditions are, in my estimation better than they were at the time the city was running it.

Q--If these two statements are made up on different forms it is rather difficult to arrive at any conclusion by comparing them? A--No, take the total operations, leaving out taxes and interest and sinking fund charges.

Q--Might there not be some things included that you do not have to meet at the present time? There might have been some damage actions or something of that kind? A--No, I do not think so.

Q--You have insurance and they have no insurance; there might have been some liability which you have not included?

A--No, it could not have been, on account of the general items being very small. As an illustration of what is

occurring at the present time, I have the operating statement from the 1st of the fiscal year to the present time which shows a net operating deficit during the period of rehabilitation, and before we commenced partial operation of one-man cars, ranging anywhere from $101 a month up to a maximum of $2102, and that is up to May, 1922. In June, I believe we had the one-man cars placed on and conditions have been improving as far as rehabilitation is concerned, and that was the first month in which we had a net operating surplus of about $480, and that included taxes chargeable for the year, and that has been increasing until today, in September, we have a net operating surplus of about $900, or a difference between these two of anywhere from $2,000 to $3,000 per month -- that is after we had things in fairly good operating condition.

Q--What is there now about the line by reason of which it falls short of being in complete operating condition?

A--We have an intersection down near the Grand Trunk tracks and some little repairs under one of the bridges, and that will about complete the rehabilitation.

Q--It is really almost complete? A--Almost complete now. After things have been working, we will be able to overcome all that, and we propose to increase the time schedule from 24 minutes to approximately 15 minutes, or 7½ minutes during the rush hour periods. At the present time the time schedule is 20 to 24 minutes, depending on the section.

TO COMMISSIONER HANEY:

Q--What is your total mileage? A--Between eight and nine miles. We expect that will materially increase our revenue. With transportation facilities as they are today our revenue has been showing considerable falling off compared to what it was in similar periods in 1921.

Q--How long have your present fares been in force?

A--We do not consider the 6¢ fare is really an increase

in fares out of the municipality because they can buy tickets and get a 5¢ fare.

Q--You sell tickets at the same time -- so many tickets for a quarter? A--Yes, but very few tickets were sold. We sold 21 for a dollar.

Q--Is the great bulk of your receipts 5¢ fares? A--Yes, practically all. In order to lessen the delay in loading passengers, we conceived the idea that if we could get the majority of our clients to purchase tickets and use them, we would, to some extent, be able to increase facilities for loading of the cars, and thus reduce the time schedule. That was more evident, not so much in the municipality of Guelph, as in the City of Windsor.

Q--Have you put in the same class of cars in Windsor?

A--Yes, there are 17 of them there. Another reason is it does not seem fair that the ordinary transit passenger from outside should be able to get the same fare, the drop fare, as the people in the municipality who have to bear the burden of the operation of this railway, or to whom the railway belongs, and we considered the 6¢ drop fare is fair for the outside passengers, and give the inside passengers the same fare by enabling them to purchase 20 tickets for $1,00, so that it really has the same effect on the revenue, but to what extent we have not been able to estimate in view of the fact that we have not had sufficient time to see what the people are going to do with regard to purchasing tickets. As far as the general public are concerned who live in the municipality of Guelph, there has not been what you would call an increase in fares, because they may purchase tickets, and they are not prohibited from selling parts of these tickets to others.

Q--Before that, what was the fare? A--5¢ drop fare, and we sold in the neighborhood of less than 10% of 21 tickets for $1.00.

TO COMMISSIONER R.A. ROSS:

Q--That would be especially material in one-man cars?

A--Yes, in our operating conditions in Windsor, we have checked the loading of cars, and we have loaded as many as 30 passengers in 30 seconds, and in other times it has taken an average of from 2½ to 3 seconds per passenger, which is entirely too much time. That was largely due to the fact of having drop fares, and a great deal of change had to be made. In the case of these 30 passengers in 30 seconds, practically everyone of them had their fare ready, or tickets, and they dropped them into the box and would get into the car. We feel that as far as the Windsor system is concerned, it will mean a considerable increase in the loading of passengers, and that has been evidenced in the few days we have been in operation -- tickets are being largely purchased by the people in the municipality.

TO COMMISSIONER HANEY:

Q--When was the increased fare brought into force?

A--November 1st.

Q--You have not had time to tell what effect it will have upon your traffic? A--No.

Q--How are your fares collected now compared to a year ago, greater or less? A--I have only the information for September, and September shows a slight falling off from last year, but we attribute that to the fact that these passengers have to transfer more frequently.

Q--The general effect of raising fares in that traffic will fall off? A--Well, of course, I have no information on that.

Q--They do not get accustomed to buying tickets immediately?

A--We have no evidence yet to be able to judge.

Q--How are your fares now compared with 1919; have they increased very much? A--They have to some extent. There was a 5¢ fare in 1919, and they had at that time six tickets for a

quarter , but that was changed in 1921.

Q--As to the total number per month? A--I would say our fares have increased probably 10% over 1919. The mileage is greater now than it was then. I should say we have increased about 20% to 30% over 1919.

Q--That is new tracks? A--I mean car mileage.

Q--I am speaking of the track? A--The track is approximately the same -- very little difference.

Referring to the statement which was fully discussed and the estimates that were submitted in 1919, and the statement as to the $49,000, that was mentioned as being the amount for rehabilitation of ways and structures, that I think you will find as in the statement submitted, November 1st,1919, a copy of which you have.

TO COMMISSIONER HARRIS:

Q--There is no date on this statement? A--It is mentioned in the report as $50,000 flat. That is the sum that will have to be paid to take care of overhead construction and tracks for the next three or four years. That is, we would have to pay out $50,000 for the next three or four years in order to take care of the repairs, and also the cost of new tracks, we estimate a total of $100,000 for such items making it necessary to raise $197,000 to place the system in a position to give a ten minute headway. That was also brought out by Mr. Carter when he said I had stated $150,000 would be necessary immediately, and probably $30,000 to $40,000 annually for a few years to put the road in good operating condition, and his figure was something like $230,000 as the amount we had given at that time. These estimates were all based upon certain operating conditions, and schedules as set out in that report which was submitted to the municipality.

Another thing that has not been brought out was the

fact that in preparing that estimate, it was prepared in conjunction with an estimate for the construction of electric railways in what we call our Hamilton-Galt-and-Elmira District and part of the rehabilitation of this system, which would be used by radial lines. Our rehabilitation of that section was charged in the estimate of the Hamilton-Guelph Radial Railway because at that time the system within the municipality was part of the whole scheme -- that is, the Hamilton-Galt Radial Railway System.

Q--That was shown in your estimate? A--It was shown separately in the radial estimate as so much for the radial system here and so much for the distribution system within the municipality depending on the use the radial railway system would make of this system. In preparing the reports to the municipality, we had given them for the repairs only and stated we would require an additional amount for a few years. What did occur was that we found the road, after 2½ years of operation, the maintenance had been inadequate to keep it in proper operating condition, and the road had to be repaired much more rapidly than we had expected, and it was economy for the Commission instead of paying out considerable money to repair the railway to put it in operating condition, to really rehabilitate it, In other words, the plant had got in such condition that it was more efficient to rehabilitate it at once than it would be to repair and have continual charges annually for rehabilitating purposes.

Q--When you made up this estimate, did you intend at that time to make this further expenditure, or did you think you might get along with the money shown by this estimate only?

A--No, it was simply as stated there -- for placing the road in operating condition and providing the equipment that we had in mind at that time. It was not for the purpose

of rehabilitation. For instance, take the section on the Main Street, there was nothing in the estimates for putting in a complete new track there and complete new construction -- it was simply repairs, putting that section in proper condition, but on opening up the property, we found it would be economy to re-construct the road and put it in proper operating condition.

Q--You never did the work outlined in these estimates?

A--It was found after two and a half years after these estimates were prepared and presented to the municipality and after taking the road over, conditions were much worse than at that time. We placed the road in what we expected was operating condition, and found it was necessary to reconstruct a considerable part of the railway, and thus spent the money that we expected would have to be spent in subsequent payments in the first two years of operation.

Q--Would it be out of place for you to say why you considered operating this railway at all? It was rather out of your line of work? A--The municipalities in the Hamilton, Galt and Elmira District, along with other municipalities, requested estimates on the construction of a railway connecting with the City of Hamilton. The Commission by order-in-council prepared a report and submitted it to these municipalities in 1919, and included in that estimate was the distribution system of the City of Guelph as part of the whole system.

Q--Would you have considered doing it if it were not part of the larger system, and if you knew it would be a purely local plant? A--If the municipality requested us to do so, I think we would, as we are operating other properties, and the more of these we can get, if we can be of any assistance to the municipalities, we certainly would be glad to do so.

Q--When you did take it up, it was taken up as part of the project of the larger scheme? A--In the beginning yes, sub-

sequently no. Although the by-laws had been passed by 13 out of 17 of the municipalities interested in the Hamilton-Galt-Guelph Railway, we had been stopped from going on with that undertaking and the work had not been completed, and the agreements were not all executed with the municipalities at the time the last vote was taken, and it was voted on as a separate proposition, I think, in the year 1921.

Q--What experience have you had in the construction and operating of electric railways? I am not speaking of you personally?

A--The staff that was engaged on this had experience, some for 18 years, some of them were expert railwaymen and had been engaged by the C.P.R. and the Grand Trunk and the Canadian Government National Railway. Others were export electric railway men and had been engaged by the Westinghouse, the New York, New Haven and Baltimore and Ohio, and were experienced in the class of work in which we were engaged.

Q--In operation as well as construction? A--Yes, our General Superintendent has been an operator of railways for 18 to 20 years.

Q--Were you operating any railways at that time? A--We had been operating the Peterboro Street Railway since 1916.

Q--Any others? A--The Sandwich, Windsor & Amherstburg was taken on in 1919.

Q--The operation of your Peterboro Railway led you to believe you could take this over and make it pay?

A--We stated in our report of 1919 that putting on one-man cars and operating it as an individual unit, the loss would be $16,000 to $17,000 per annum.

Q--You still think that is correct? A--I think we can do better than that from our experience of operation. I think we can do much better than the estimates we submitted to the municipality.

Q--You think you can make it pay its way? A--I would not say, but I think we can considerably reduce that estimate of the deficit that we submitted to the municipality at that time.

TO COMMISSIONER HARRIS:

Q--What makes you believe you can? A--From our present experience with the conditions as they are today, we have changed from a net operating deficit of a few hundred to $2,000 a month to a net operating surplus.

Q--Taking into consideration the amount of capital invested, that will be tied up in this railway, do you think it can be operated so that it will break even? A--I think it will in time; I would not like to say how long it would take, but I think we can make it be made to do so in time.

Q--What length of time? A--The next three years.

Q--What is the population of Guelph? A--About 17,000 or 18,000.

Q--What is the population of Peterboro? A--About the same.

Q--Are you doing any better in Peterboro than you are in Guelph? A--No, because we are operating in Peterboro the same as they were operating in Guelph. We have two-man cars in Peterboro, and the cars are of the same class as they were here, and they cost a great deal for maintenance.

Q--What is the capital invested in Peterboro? A--As I remember somewhere around $400,000 or $450,000.

Q--You would not call Peterboro a successful operation?

A--No, I would not because they have deficits, but I think it is of great value to that municipality.

TO COMMISSIONER R.A.ROSS:

Q--Are there any successful railways in operation in towns of 17,000? A--Very few.

Q--Do you know of any? A--I do not know of any. They say they are operating successfully in Brantford, but I do not know from first-hand information.

TO THE CHAIRMAN:

Q--The population of Brantford is over 30.000? A--It is

very difficult in a small municipality to operate a railway of eight or nine miles successfully.

COMMISSIONER HARRIS: The capital investment in Brantford is much lower than it is in Guelph. We bought the property very cheaply.

TO COMMISSIONER HANEY:

Q--In building the radial line that you speak of, did you include Hamilton? A--It was from Hamilton to Galt and from Galt to Elmira and from Preston to Hespeler and Guelph.

Q--Was this radial railway already in existence ?

A--Yes, we were taking over from Elmira to Galt, the present Grand Trunk line.

Q--A railway line? A--Yes, arranging for running rights from Preston to Guelph.

Q--The idea was to transform this line? A--Electrify them and transform them into radial railways.

TO COMMISSIONER HARRIS:

Q--You contemplated the duplicating of existing lines to a very great extent? A--No, we contemplated the building of a line in some new territory, from Galt to Hamilton, and the utilizing of lines already in existence in the remaining part of the territory.

Q--That would have to be steam railway lines? A--There would be some steam railway lines.

Q--Would you have thought of recommending the spending of so much money in this municipality unless you had thought it could be connected up with a larger system? A--I think that makes no difference as far as the expenditure we have recommended is concerned. It is necessary to give a good service and to get cheap operation and to obtain a revenue in this city. We have got to give the service and speed up the schedules, and it is therefore necessary to do

what we have done.

Q--You heard what was said by Mr. Carter this morning about the proposed agreement with the Canadian Pacific to construct the line? A--Yes.

Q--What do you think about that? Do you think it might have been well for the city under the circumstances to have accepted that offer? A--As to the operation of the municipal system, there is only this difference between the two: The C.P.R. was to operate on account of the city, in trust for the city, the city would pay all the losses and the municipality only got half the profits. In case of the Hydro we operate the system and they pay all the losses and they get all the profits if there are any.

Q--Profits are very uncertain from what you have said?

A--That would depend.

Q--It would have helped them out, as Mr. Carter said, because they would have got the traffic which these outside roads would have brought in here, and they would have received full fare over the city lines? A--If the municipalities had not been stopped from going on with their undertaking, they would have done the same thing: the line would have been connected between Guelph and would have provided for connection with Puslinch Lake and with Preston and Hespeler, and they would have just got the revenue from that line on the city lines.

TO COMMISSIONER HANEY:

Q--You would not have increased the population that would have been served by the whole system?

A--I could not say to that.

Q--It is really population that makes radial railways pay?

A--You would have had more.

Q--Is not it the population that makes the revenue?

A--There is a population of between 90,000 and 100,000

people in the district which was being served, leaving out Hamilton, and there would be a certain connection between Guelph and a more frequent connection.

Q--If you had established that system, you would not have served the people any better than they are being served by the C.P.R. system? A--You would have had a different connection and one that would have carried more passengers, and they would have had direct connection with Hamilton instead of having to go a round-about way on two sides of a triangle, and the municipal railway would have greater revenue and a greater number of passengers carried on their line.

Q--Would it have been any more direct than the C.P.R. line by way of Guelph Junction?

A--Yes, they go on two sides of a triangle. It would not have been direct to Hamilton. I am speaking of the whole connection with Galt.

Q--You have the same connection with Hamilton, now, practically? A--Except that they would have more frequent service, and it would be very little longer in time.

Q--The trouble with Hamilton is that the people are working most of the day time and the frequent service, except for the women, would not be of much service? A--Not all the people are working all the time. There is a great deal of business done outside of Hamilton, and it is quite a wholesale centre. There are warehouses down there, and there would be considerable traffic between the two municipalities, and there would be considerable traffic down to the Hamilton Beach.

Q--Have you ever made an estimate as to the number of people per mile you should have for an electric service?

A--That depends on the character of the railway we have.

Q--Take a city service, in order to make it pay?

A--You can hardly get at that. You mean how many thousand population for a mile of railway you should have within the city to make it pay? That would depend on local conditions.

Q--Generally there is an average? A--I have not in mind any of these figures.

Q--5,000 people per mile? A--Probably it would require that, as far as a local street railway system is concerned. It would not be much less than that for an inter-urban line.

Q--Would it have put you at a disadvantage at all if the Canadian Pacific had made that agreement with Guelph?

A--As far as the proposition we had in consideration, yes--I mean that the municipalities had under consideration--it would have been a disadvantage to them not to have been able to have connection on their own railway between Guelph, Preston, Galt, and Hamilton.

Q--Hyw about the situation now? A--The situation now is that the municipalities, if they so desire, can go on, and there is certain legislation by which they may carry on the scheme which they had in mind.

Q--If they accepted that scheme, would you be prepared to relinquish your rights here? A--It would come under practically the same proposition--the Commission would operate on behalf of the municipaltities.

Q--If it was in the interest of Guelph to renew their negotiations with the C.P.R. and make connections with that system, would you be prepared to relinquish the controlling power that you have in the Guelph Railway in the interest of the people of Guelph? A--I am afraid I cannot answer that question.

Q--Sir Adam Beck said you were in a position to answer these questions? A--He may have said that.

Q--Is not that really the problem to make this thing pay?

A--I would not say that altogether. There may be other things that will occur that will give the municipality here these advantages in the next few years, and they will still retain the ownership in their property.

TO THE CHAIRMAN:

Q--Was not the moving reason for the Hydro coming in here to prevent the C.P.R. from carrying through the arrangement which would have interfered seriously with the general radial scheme of the Hydro? A--I do not think you mean just what you might convey. We did not come in; we simply act as trustees and prepared reports on resolutions of the municipalities. It would not have been in the interest of the municipality of Guelph, being one of the partners, to have had a competing line between Guelph and Hespeler. It would not be economic to have two railways serving the same purpose.

Q--It might have prevented your constructing it altogether?

A--Possibly.

Q--Guelph was the strategical point, and if the C.P.R. had come in here and done what it proposed to do, they might have seriously interfered with your scheme going through?

A--That I cannot say; it might be that the other municipalities would have carried on in order to get connection with Hamilton. I would not like to say.

TO COMMISSIONER HARRIS :

Q--If the Hydro found that the City of Guelph would have been better served and could have made a better contract with the C.P.R., would the Hydro have advised the City of Guelph to make that arrangement? A--We have taken things of that kind into consideration. We have on a number of occasions advised municipalities to take the proposition which the Hydro thought looked better than theirs. We have, in other words, the interest of the municipality at heart

when we make recommendations.

Q--That is the first time I have ever heard of anything of that kind being done. When did you ever do it? A--I cannot recall. In the case of Oakville and Bronte and Burlington, I think we have advised the municipalities to continue, and I think Burlington Beach we advised to continue their contracts with the Dominion Power and Transmission Company rather than bring in a competing line.

Q--Part of your radial scheme is to put a competing line right into that same district? A--No, it is not.

Q--The line from Toronto to St. Catharines? A--Part of the Dominion Transmission line -- it is proposed to incorporate that as part of that railway. I am not speaking of the power. Sometime ago in discussing the matter with the directors, they were willing to dispose of that section of the railway that we could use, between Burlington and Oakville, and I think it would be in their interest to use it, and it could become part of that scheme, in preparing our estimates at the time, it was subsequently discussed with the officials of the Dominion Power & Transmission Company.

Q--It was proposed to take over part of their existing lines?

A--Yes, I am speaking now of Hamilton, Burlington and Bronte and Burlington Beach, for power, where the municipalities wanted the Commission to come in and serve that district with power.

Q--We are talking about radials? A--You asked me if there was any place where we had advised the municipality to accept any other proposition than the Hydro Electric Power Commission's proposition. This was at the time they were making the contract-- at the time they were desirous of entering into a new contract -- they came to us and asked us to give our opinion as to what they should do, and we advised them to act in that way, and the same thing with Bronte and Burlington and Burlington Beach.

There were other municipalities that I cannot recall where we advised them to use steam plants instead of getting Hydro power. One recently was Paisley; we advised them to take steam for their source of power rather than our power at this time. There are numerous other municipalities where we thought it would not be economic to serve them, and we have advised them not to take our proposition. As to the Hamilton Radial situation, as Mr. Harris says, we did prepare a section of the railway from Burlington to Oakville as part of the railway.

TO COMMISSIONER HARRIS:

Q--You never got far enough to have a definite agreement with each other? A--No, we did not get far enough; although we had authority to go on, we did not get to the point where we could complete negotiations for that section. We have had requests and resolutions from municipalities to prepare reports and recommendations for them, and we prepare these reports and recommendations upon their request.

Q--You have made estimates of what they would be able to save by doing what you propose? A--Yes, when we are asked to do so.

Q--Do the estimates always turn out as you represent them?

A--As a rule, yes, -- taking the conditions that we estimate upon, I do not know that they have varied.

Q--We have had several instances from municipalities where your estimates did not turn out in that way?

A--Yes, but the conditions were changed from the original conditions when the estimates were given. The conditions do not always remain the same. If the conditions are identical, you will find that the estimates are not very far out.

Q--We had the case of Winchester and Chesterville, where it was estimated they would get power for $35 on a certain amount of power being used, and the amount used in Chesterville

is almost three times as much as they thought they would take, and yet their power bill, instead of being $35 is $86?

A--You know, Mr. Harris, that is due to a change in the source of supply, and we had to spend nearly $500,000 additional there, owing to the failure of the company to meet their contract to supply us with power.

Q--That was not the fault of Chesterville? A--They are partners in that scheme and they knew of it and passed the resolutions, and if you would ask the Mayor of that municipality what he thinks of conditions down there, he would say they are perfectly satisfied with conditions as they are today. They are perfectly satisfied, and we have only heard one side, and not the representative of the municipality. I do not want to enter into a discussion of that, but they are entirely different conditions to what they were when the estimates were prepared, but notwithstanding that, the municipality is being well served and is well satisfied with the service it is getting at the present time, to my knowledge.

TO COMMISSIONER HARRIS:

Q--We heard a different story. But getting back to Guelph, the conditions seem to have changed since this agreement was made, up to the present time? A--I doubt whether in two or three or four years you could find conditions remaining the same. We estimatedon the conditions as we found them in the summer of 1919, and in 1921, after two and a half years of operation, we found conditions entirely different -- the road had run down in the meantime; the equipment had become more dilapidated and required a great deal more repairs.

Q--Your engineers should have made a closer survey of the line at the time? They reported the Windham Street section in good condition, and the line between Windham

and York Street was found in good condition ? A--The report was fairly accurate for the period in which the report was made, but the conditions changed, and our original estimate, as already stated, called for more than $150,000 for the rehabilitation of this road. We said $150,000 plus $30,000 or $40,000 for several years.

TO COMMISSIONER J. A. ROSS :

Q---In your original report ? A---Yes.

TO COMMISSIONER HARRIS :

Q---When were these reports made ? A---I do not know which one you are referring to.

Q---I think you said that $49,000 report was made in November, 1919 ? A---I would have to see these reports because there were several reports made at the same time on various operating conditions.

TO THE CHAIRMAN :

Q---These reports were made by you to Sir Adam Beck ?

A---Yes. There are nine different reports and it all depends on which one you take as to whether the estimate is for repairs or rehabilitation.

TO COMMISSIONER HARRIS :

Q---You generally have a number of reports so that you can refer to one if another does not seem to be right ?

A---No, we do not. These are prepared under different conditions, and the conditions are stated in each estimate as to how they are prepared and the different conditions. The report, as a matter of fact, does not vary a very great deal from the amount recommended in 1919. The fact is two and a half years have expired, and we have carried out the improvements we expected to carry out in these two and a half years. We expected to take the road over in a certain period and pay $150,000 plus a certain amount extra in the following years.

TO COMMISSIONER HANEY :

Q--When you made these reports you contemplated rebuilding and putting on new cars ? A--Yes.

Q--Scrapping the old outfit ? A--Yes. For instance, the $49,000 report was only for repairs.

Q--It did not mean you were going to rebuild or absolutely renew it ? A--It might mean that we would reconstruct certain parts of it, and other parts bring up to operating conditions.

Q--To the ordinary layman it probably does not imply the amount of work that the person who prepared the report would contemplate ? A--Yes, if we reconstructed this railway it probably would have cost another $200,000 to reconstruct it completely.

I do not think it is necessary for me to say anything more in connection with the agreements. I think that matter has been pretty thoroughly discussed, excepting that we do not believe that during the period of reconstruction we should be obliged to set aside - during that period - a depreciation fund. The equipment has been placed on this road only within the last few months, and you might say it is just commencing to be put in operation at the present time, and no depreciation, in my recommendation to the Commission, should be charged for at least two years commencing probably the coming year.

Q--Your idea is that depreciation on rolling stock should commence very soon ?

A--Yes, commence very soon - the rolling stock is in operation.

Q--That should not be delayed for ten years ? A--No, there is no intention of doing that, as to the rolling stock bonds which have been referred to, it is the practice I believe of some of the railway companies to purchase their stock on bond issues which are a mortgage on the rolling stock.

Q--The bond holders insist on a sinking fund being built up from the beginning ? A--Yes, and the bonds provide for the setting aside of a sinking fund to retire them within a given period of ten or twenty years. In doing that they try to take into account not only a sinking fund but also renewal of these cars; in other words when the bonds have been retired your equipment is in condition for the scrap heap and they have to buy new equipment and issue new bonds.

Q--They might be kept up by renewal ? A--I do not know of any operating company that does that.

TO COMMISSIONER HANEY :

Q--Do you know the system of appraisal that is adopted on used railway equipment ? A--I do not know.

Q--That has a bearing upon depreciation ? A--I do not just grasp what you mean.

Q--If you were taking over or appraising the rolling stock of any company there must be some system that is approved of by the Car Builders' Association or the Locomotive Association whereby the value of that property can be ascertained ? A--Yes.

Q--Do you know that system ? A--I should say it would probably be the replacement value of the car less a certain amount for depreciation, depending on the years of use and life.

Q--I do not know what it is at present but a number of years ago it was something like this : That the life of a car or locomotive was established and then a depreciation covering that period was taken into consideration and

allowances made for the necessary repairs and then a certain amount allowed for scrap ? A--That is the proposition today, the value is taken and a certain salvage value.

Q--Consequently depreciation must be considered from the beginning of the use of the equipment, from the time it is put into service ? A--Yes.

Q--For instance a number of years ago the life of a car was estimated at ten years and the depreciation was 8%. Just to give you an illustration, that would be 80% of the value of the car at the end of its life and 20% for scrap. A locomotive at that time had a life of 16 years and was depreciated 4% per year, making 64% and the value of the scrap 36% but the depreciation began just as soon as the car or locmotive was put into service. I presume the same method is used at the present time, consequently as soon as you put your cars into service depreciation begins ?

A--As a matter of fact, yes.

Q--They must be maintained because in this valuation the costs of any necessary repairs is always deducted from the value of the car ? A--Yes, that is the rule used as a matter of adjustment between the railroads in connection with the handling of equipment from one road to the other.

Q--When you say you should not allow for depreciation before a certain period after you put your cars into service I think that principle is wrong ?

A--I did not say that definitely, what I said was that during this period of rehabilitation and putting the road in shape although the car has been in operation a few months we should not allow for depreciation in that period.

Q--The moment you put your car in service depreciation takes place ? A--You can take care of depreciation in other ways. In view of the revenue you can start out with no depreciation and increase that depreciation in varying

amounts from year to year until the maximum life of the equipment. That is as the business increases the depreciation will be more comparable with the revenue you are getting from the operation of the equipment.

Q--That is for convenience ? A--It may be a matter of business.

Q--That don't take care of your depreciation as it actually occurs ? A--Yes, but then you have maintenance and that has got to be taken care of anyhow, you do not require your depreciation money until such time as you have to renew your property.

Q--Depreciation begins ? A--The actual waste of material in the life of the plant begins from the time it is placed in existence.

Q--How you are going to take care of it is a matter of policy.

TO COMMISSIONER J.A.ROSS:

Q--If you had a surplus you would take the opposite argument, depreciation account would be put into force at once ? A--I think you are quite right, if you had a sufficient fund it would be in the interest of the undertaking to put aside a proper reserve to take care of such things as renewals and things of that kind but with a business actually increasing it might be policy if you have not the necessary surplus available to put aside the necessary amounts in the early years to increase that amount in succeeding years so that you would have the same amount to renew the property at the end of its life.

TO COMMISSIONER HANEY:

Q--If you continue to have nothing for the life of the car then you would not have anything at the end ?

A--Quite true.

TO COMMISSIONER R.A.ROSS:

Q--In dealing with depreciation you are dealing with a bookeeping item alone. If you keep up maintenance it will have the same effect as depreciation ?

A--That is illustrated very largely in the municipalities today. We have plants that are 90% value and we have depreciation fund as high as 50 to 60%, maintenance has been kept up and renewals and we have been setting aside a greater amount than has been actually necessary in view of the condition of the property today.

TO COMMISSIONER HANEY; Q--You recognize the principle just the same ? A--The principle is correct but it is a difficult problem to always estimate conditions before they actually occur.

TO THE CHAIRMAN:

Q--You have issued ten year bonds to pay for rolling stock; at the end of that time you will have your rolling stock not worth as much as it is now and you will owe the full amount of the original cost ? A--That is refinancing and reinvesting; renewal is a different proposition entirely. In other words we would have to set up some fund sufficient to renew these properties in addition to a sinking fund. Issuing bonds for ten years was a matter of convenience because we were issuing our bonds at a time when the rate of interest was high and therefore we issued the bonds for a shorter period.

Q--Ten years is quite long enough for rolling stock bonds ?

A--Not for the character of the equipment we have got here, it might be for a freight car or something that is used in such severe service as that but for the ordinary steel cars we have here in service, 25 to 30 years is the reasonable life of these steel cars. There are some on the Toronto Railway that were horse cars over 30 years ago.

TO COMMISSIONER HANEY:

Q--15 years is long enough ? A--Our experience has been that 25 years is reasonable for the life of an ordinary street car.

TO COMMISSIONER HARRIS:

Q--You never operated a street railway ? A--We have cars that have been in operation 25 years.

TO COMMISSIONER R.A.ROSS:

Q--Have these bonds been issued for the cars ?

A--No, they were issued for the whole road.

Q--In making your allowance for depreciation you took into account the different classes of apparatus you were issuing bonds for and you would make your depreciation allowance upon rails very different from that on cars and the allowance on cars very different from that on platform equipment and so on ? A--In setting up depreciation each item has to bear its own particular weight in the average of the rate set aside for depreciation.

Q--Is your depreciation going to be sufficient to buy new cars to take the place of the old ones ? A--Evidently yes, the idea is to set aside in time sufficient funds in the depreciation reserve for the renewal of the property, whatever is renewable, certain items are maintenance entirely.

Q--If you had sufficient revenue you would set up sinking funds to look after these bonds; because you will want to borrow money later on and if your old bonds are outstanding it will hamper you in issuing new ones ?

A--I do not know whether the statute would permit us to do that because it states that after paying interest and sinking fund and renewals as provided for in the agreement we must turn back to the municipality the surplus that accrues; therefore if we take from that that which is rightly a surplus under the agreement, the municipality might request

us to hand that amount over, instead of putting aside a reserve.

THE CHAIRMAN: I think your statute is not based on sound principles ? A--I think it goes a little farther, it says we may turn over the surplus, that is if the Commission deem it advisable to set aside this reserve or an additional reserve to protect the property, I think it would be within their jurisdiction to do so. I think it is in the interest of the road and to protect this municipality we should set up as high a reserve as possible without making it extraordinary.

TO COMMISSIONER HANEY:

Q--You don't think it is practical to ask the City to supply this money and pay it out of their own funds ?

A--No, I do not think so, I do not think it would be in the interest of the undertaking to do that because the agreement is that we shall maintain these properties and have sufficient in reserve to keep them in 100 per cent condition all the time.

TO COMMISSIONER HARRIS:

Q--What do you make the deficit for 1922 and what is Guelph responsible for ? A--Guelph is responsible for the payment of $23,000 for the year 1922.

Q--That is the deficit that they have to meet ?

A--After we have paid to them $11,000 or whatever it is, $11,700 for interest and principal.

Q--The deficit would be $23,000 ? A--Less $11,700 that they have to pay interest and sinking fund on the debentures.

Q--That brings it altogether to $23,500 ?

A--That is not the deficit as far as the railway is concerned, after paying the interest and sinking fund on the debentures, yes, $23,500.

Q--And the payment to Guelph by the Hydro of $11,700 is

not deducted from the $23,500 ? A--No, they pay that out to meet interest and sinking fund.

TO COMMISSIONER R.A.ROSS:

Q--In the payment you make them are not you clearing off some of the indebtedness they had ? A--Yes.

Q--Then you ought to take that $5,000 from the $23,500 and that makes your deficit about $17,000 or $18,000 ?

A--I was going to come to that point.

Q--It includes a capital item which is paid off to the municipality, they presumably pay off the original indebtedness ? A--In other words that is an asset as far as the railway is concerned to the extent of $5,118.32, so that the real deficit of the railway is $23,574, less $5,118.32 because they are paying off the bonded indebtedness against the railway.

TO THE CHAIRMAN:

Q--They had a bonded indebtedness equal to the full value of the railway ? A--Yes.

TO COMMISSIONER HARRIS:

Q--Is that as you understand it ? A--Yes, except I point out to you that the operating statement is drawn up in exact conformity with the statute and the agreement and it must be discharged.

TO COMMISSIONER R.A.ROSS:

Q--On the basis of a real charge there is an item there that should not be in ? A--A capital return.

Q--It is a real surplus or earning ?

MR. GUILFOYLE: Yes, and you will notice further in the balance sheet on the property that automatically becomes a reserve. If you will refer to that statement you will see that $5,850 goes to build up the reserve out of earnings because it comes out of earnings and it becomes a reserve rather than a direct liability.

COMMISIONER HANEY: I suppose when the cheques are passed Guelph will know exactly where they are at.

MR. GUILFOYLE: I think Guelph should know now.

COMMISIONER R.A.ROSS: That is after the depreciation item has been settled.

MR. GUILFOYLE: Yes, after it has been settled.

COMMISSIONER R.A.ROSS: A depreciation item is something taken out of the reserve, you might as well keep it in the reserve. As a matter of fact the companies, when they have a good year, will set aside a certain amount for depreciation and when they have a bad year they do not set aside anything.

MR. GUILFOYLE: I would not agree with that as a principle.

COMMISSIONER R.A.ROSS: They do that as a matter of practice.

COMMISSIONER HARRIS: Mr.Carter stated while on the stand this morning that Sir Adam Beck had stated that $180,000 had been spent on surveys on those lines which were to come in and out of Guelph, what fund did that come from ?

MR. GABY: I was just going to mention that. The reference that Mr.Carter made to the six lines out of Guelph that had been surveyed and the $180,000 I do not think is just exactly the correct answer there. We had surveyed six lines out of Guelph at the request of the municipalities interested in this Hamilton Guelph line, one from Hamilton to Toronto, another from Toronto to London, another one to Kitchener and another one north to Elora and I think one to Orangeville, the other one I do not remember unless it was the Toronto Suburban. Those lines were surveyed in accordance with the resolutions and in answer to the resolutions of the municipalities. The amount of $180,000 that was given

to Mr.Carter at that time was not for the surveying of these six lines but the surveying of 2,500 miles of railway and that was what was referred to in answer to Mr.Carter's question. It would be absurd to have $180,000 checked up against six lines leading out from Guelph. As a matter of fact that is about the total that was spent from 1913 until 1919, about six years of the operation of the Commission, in surveys and making reports and investigations on radial railways. The Act provides that all such preliminary expenses are to be paid for by the Provincial Government the same as they pay all preliminary expenses on the power scheme. There was a general appropriation passed by the Legislature for that purpose. For a period of six years $186,000 was spent in answering requests from municipalities for information and surveys and investigations in the districts in which they were interested.

COMMISSIONER R.A.ROSS:

Q--How much of that was charged up to this City ?

A--None whatever charged to this system or any radial system, it was an investigation and was charged to the general community because any municipality in Ontario had a right to ask for a report on the construction of an electric railway within its district, it is on the same line as investigating water power and charging it to the general fund. That same question came up at the last meeting of your Commission in which it was stated that anywhere up to $275,000 was spent on investigations for municipalities, not any way connected with the power system or railway systems and a very small item of that is requests from municipalities for power. That work is all done for the general advantage of the community and for information on stream flow data and hydrographic surveys and reports on rural investigations and hydro electric investigations and

some $20,000 or $30,000 of that money was spent on inspection carried on on behalf of the Government.

Q--Paid by the Province ? A--Yes, for inspections and investigations.

TO COMMISSIONER HARRIS:

Q--Mr. Carter's statement was very specific and he said Sir Adam Beck had stated to the electors here that that $180,000 had been spent on surveys of the six lines that were going to run to Guelph and that statement was so reported in the papers ? A--I think there was some misunderstanding, I do not know whether it is reported in that way. $180,000 would be the total cost from the time we commenced operation to that date on account of investigation of Hydro Electric railways.

Q--That is your explanation of it ? A--Yes.

TO COMMISSIONER J.A.ROSS:

Q--That is for 2,500 miles ? A--Yes, and for 300 municipalities which had requested the Commission for such surveys.

TO CO MMISSIONER R.A. ROSS:

Q--Mr. Carter wanted to know what amount was charged up against this line? A--Nothing whatever, that has all been paid by the Province.

THE CHAIRMAN: A man addressing an enthusiastic audience has been known to exceed the mark? A--These were answers to specific questions submitted to Sir Adam Beck. Nineteen or more questions answered specifically and in reporting the answers they may have got them not quite correct. The original proposition here was to hand the municipal ity $150,000 in bonds for the purchase of the railway when it was part of the Hamilton Guelph radial, so that they would have some security for it but that was subsequently

changed to the present agreement which is the payment of an annual amount of $11,700 for the assets of the railway.

Q--That was a subsequent agreement? A--Yes, that was changed from the original agreement. In the original discussion in the first place it was a radial railway agreement.

TO COMMISSIONER HARRIS:

Q--There were two-by-laws? A--Yes, two by-laws one a radial railway bylaw which incorporated the street railway system in the City of Guelph, the other was a local by-law only of the City of Geulph for the management of the railway within Guelph.

Q--They were not submitted at the same time? A--No, one was submitted in January 1920 or the fall of 1919, that would be the radial by-law and the other in January 1921.

I think there is nothing else that I would like to say in connection with the discussion today unless there are some questions which you would like to ask.

TO THE CHAIRMAN:

Q--Were all these expenditures on this road approved and ratified by the City Council? A--Yes, we asked first for $150,000 for rehabilitation and we submitted a report of what expenditures were made and asked for a by-law for an additional $150,000 to complete the expenditures and we submitted to the Council certain details of what these expenditures would be.

Q--When you saw the uncertainty of being able to connect up with a general radial system did you bring that to the attention of the municipality and suggest that it might seriously interfere with the revenue that would be received?

A--That came up in a separate by-law in 1921. We had been

stopped in 1920 with going on with the Hamilton and Galt Radial Railway and a new by-law was submitted which was the Guelph Railway alone.

Q--That was your authority? A--Yes.

Q--That was after the uncertainty had arisen? A--Yes. We had benn stopped in 1920 and in 1921 a new by-law was submitted to the municipalities and passed.

Q--Did the municipality of Guelph pay the cost of submitting these by-laws? A--Yes.

Q--How much did it cost? A--I do not know, I have not any information at all.

Q--It must have been a pretty heavy expense? A--I hardly think so because it occurred at the time at which they had their ordinary municipal elections so that it would be just one of the things they would vote on, it would not cost more than $200 or $300 to cover the advertising of the by-law and things of that kind. I do not think the total would go over $800.

J.J. McINTOSH.

TO THE CHAIRMAN:

Q--There were a number of advertisements published at the time this Hydro by-law was passed, I see one here in the Mercury of December 31st and I understand it was the same in the other papers, it is signed by the Hydro Electric Railway Association of Ontario, J.W. Lyons President and T.J. Hannagan, Secretary, were these paid for? A--Yes.

Q--Who paid for them? A--I should think the City paid for them, I could not tell you off hand.

Q--Were they paid for by the Hydro Electric Commission?

A--I could not answer that without referring to it.

Q--Does the Hydro Electric Commission advertise extensively? A--No, very little.

Q--Very little at any time? A--Yes, at any time.

Q--Is there such a body as the Hydro Electric Railway Association of Ontario? A--I think so, incorporated by special Act.

Q--I have not heard of it before, perhaps Mr. Gaby would know?

MR. GABY: There is an association called the Hydro Radial Association of Ontario, it is an association of the municipalities in which Mr. T.J. Hannagan is Secretary and Mr. J.W. Lyons was President.

Q--Is it in connection with the association of municipalities? A--No, it is a separate organization. Mr. Hannagan is secretary of both.

Q--Is this Radial Association in existence at the present time? A--I do not know whether it is or not, it was up to a few months ago, I do not know whether they are operating at the present time or not.

Q--Is it financed by Hydro Power Commission at all? A--No, the finances were taken care of largely by subscriptions from various municipalities. For instance Toronto usually gives $1,500 and other municipalities would pay in so much to finance the Association, that is all the details that I know about it.

Q--Would you say that the Hydro Electric Power Commission of Ontario does not give a grant towards it? A--I do not think so; we give grants only to the Municipal Electrical Association.

Q--There was an annual grant made? A--That was several years ago, it is not made now.

Q--There was a grant of $6,000 made by the Hydro

Electric Power Commission of Ontario to an association of which Mr. Hannagan was Secretary last year?

A--I do not think it was last year.

MR. GUILFOYLE: I can tell you the amount.

MR. GABY: I think you will find that certain expenditures have been paid by the Commission for work that has been done by the association which we have considered as work chargeable to the Radial Railway movement.

Q--Where does the money come from, out of what fund?

A--It came out of that money that was advanced from the Provincial funds in September, not from the municipalities, it is a fund paid by the Ontario Government.

Q--You will note Mr. Clarkson's report as to the legality of making such a grant? A--The Council of the Commission have their view on it.

Q--Was any grant made to the Hydro Electric Railway Association? A--I cannot say off hand. I believe some of the expenditures that were made by this Association on certain work they undertook on behalf of the Commission have been paid.

Q--To what individual has it been paid? A--Anything that has been paid would be paid I think to their treasurer, Mr. Paul Hamilton.

Q--No payments made to nay other person? A--No, any payment would be made to the treasurer of the Association.

Q--The advertisements that are published during the campaign, are any of them paid by the Hydro Electric Power Association? A--No, only such as we would carry on ourselves and in this case we had none to my knowledge.

Q--You did carry on some yourself and you do pay for that class of work? A--We do for supplies and things of that kind.

Q--And for advertisements ? A--Under certain conditions we do.

Q--To what extent ? A--For instance we have a sale department which handles supplies and things of that kind and part of the profits of that department are used for appliances and things of that kind.

Q--Could you let us know, Mr. McIntosh, who paid your accounts for this advertisement?

MR. McINTOSH : Yes.

H. GUMMER.

TO THE CHAIRMAN :

Q--You published advertisements during this period ?

A--For the Guelph Herald.

Q--I suppose these advertisements went into both papers ?

A--Yes, some advertisements went in both papers.

Q--Were they inserted free of charge ? A--No, sir, they were charged on both sides, we did a lot for the Grand River Railway as well.

Q--Who paid for those inserted in favour of the bylaw ?

A--Alex Simpson paid for them, I do not know where he got the money, it may have come from the C.P.R., we got it from him. Are you referring to the Hydro by-law or the Grand River by-law ?

Q--The Hydro by-law ? A--They were paid by the Electric Radial Railway Association.

Q--That is the Hydro Electric Railway Association of Ontario, J. W. Lyons, President, and T. J. Harnagan, Secretary ? A--Those are the people who paid it.

Q--Who actually sent the money to you ? A--The Treasurer, Paul Hamilton.

Q--He paid them all ? A--I think so, yes.

Q--Perhaps you could make sure of that ? A--I have

not any doubt that is where it came from. I am President of the Company and I asked the Department who was paying for these advertisements and I was told the Electrical Association.

Q---Does the Hydro Electric Power Commission pay anything ?

A---No, the only money we have ever got from the Hydro Power Commission was subscriptions to the Daily Herald, I think they take two copies of the paper, these are the only transactions we have ever had with them financially.

Q---You do not make much out of that ? A---Cannot expect to make much; I thought you were referring to the Grand River Bylaw, we did nearly all of their printing.

Q---Did you charge these people the same rate as you charge the others ? A---Yes, the commercial rate; of course the bylaw itself was paid for by the City of Guelph.

Q---I mean advertisements advocating certain bylaws ?

A---They were paid for by the Hydro Radial Association.

G. POWELL HAMILTON.

TO THE CHAIRMAN :

Q---You have heard what Mr. Gunner said, that you are the man who pays the bills ? A---Yes, sir.

Q---Is that correct ? A---I did not hear all that he said.

Q---He called his attention to an advertisement in support of the Hydro bylaw signed by J.W.Lyons and T.J.Hannagan and he says you paid the bills ? A---Yes.

Q---Where did the money come from ? A---From the Hydro Electric Railway Association.

Q---Where did they get the money from ? A---They have members all over Ontario who pay fees.

Q---Does all the money they have come from this source from the members who pay fees ? A---Practically, yes.

Q---From whom did they get the money ? A---The Toronto Harbour Commission and I think if I remember correctly one other Commission was a member; it practically all comes from membership fees.

Q---Are there any grants made to it by the Hydro Electric Power Commission of Ontario ? A---There have been grants made which have been used for the purpose of paying the salary of the Secretary.

Q---How much has been received from them altogether ?

A---The Secretary gets a salary of $3,200 a year.

Q---How much have they paid ? A---Varying amounts, approximately somewhere around there.

Q---I think you will find that they paid sums much larger than that? A---One year they might run as high as $4,000 and the next year the amount would be less.

Q---What is the largest sum, Mr. Guilfoyle ?

MR. GUILFOYLE : The year ending October, 1921, it was $3,885.07.

Q---Do you recollect the amount paid years before ?

A---I would say they were in the neighbourhood of $4,000 a year, the exact amount I could not tell you.

THE WITNESS : Part of that money was really a grant to the Municipal Electrical Association of which Mr. Hannagan is also Secretary.

Q---He gets several salaries ? A---One from the Municipal Electrical Association and one from the Hydro Electric Association.

MR. GUILFOYLE : That amount was to the combined associations.

TO THE CHAIRMAN :

Q---Are you treasurer of both Associations ? A---No, Mr. Hannagan is treasurer of the other association, I am only acting treasurer in so far as the money comes through

me.

Q--The money that was paid for advertising in this Guelph campaign came out of your general funds ? A--Yes.

Q--It came from the parties you have mentioned, how much did you pay out in Guelph during that campaign ?

A--I have not the slightest idea now. I would suppose $200 or $300, it was three years ago and I have not had occasion to look into the matter since.

Q--Can you look into that matter and let us know ?

A--Yes, I can look it up.

Q--What are your total receipts in one year from all sources ? A--Outside of the grant that we spoke of, around $3,000 I should say.

Q--So that your total income would be about $7,000 ?

A--Yes.

Q--What do you do with that over and above the $3,300 that goes to Mr.Hannagan ? A--The two associations pay Mr.Hannagan $4,200 and the grant covers both of these and we have to pay Mr.Hannagan's travelling expenses.

Q--You said he got $3,300 ? A--$3,300 from us.

Q--And your total income is about $7,000 ?

A--And we pay all his travelling expenses.

Q--Are you paid a salary ? A--No, I have an office allowance of $500 a year.

Q--What do you do ? A--I am treasurer.

Q--Do you do anything besides your work as treasurer ?

A--I have to do considerable work in connection with the meetings and I spent considerable time in preparing resolutions that have been submitted to the meetings and general work that has to be done by a Secretary.

Q--$500 goes to you and $3,300 to Mr.Hannagan, which would make $3,800, that would leave about $3,200 which is not accounted for, what is done with that ?

A--I think I mentioned before that they pay Mr.Hannagan's

expenses out of it.

Q--How much would that amount to a year ?

A--I should think that would run from $1,200 to $1,500, I am speaking offhand. I did not know that the affairs of the Hydro Electric Railway Association were under discussion and I do not know yet that they are.

Q--You are subsidized by Hydro ? A--We are not subsidized by Hydro.

Q--You get $3,800 from them ? A--That is for services rendered. The Hydro Electric Railway Association's Secretary has done a great deal of work and has given his services almost entirely to the Commission for the last few years in assisting them in different parts of the Province and the amount of money that they have paid to the Association towards Mr.Hannagan's salary is for his services.

Q--What is the character of the services he renders ?

A--Largely educational and straightening out difficulties.

Q--If there was a campaign on in any locality he might go there and make addresses ? A--Yes.

Q--And write campaign literature ? A--Possibly.

TO COMMISSIONER HARRIS:

Q--You do not know what the financial situation is of the other association ? A--I have no knowledge of it at all.

Q--Where is Mr.Hannagan now ? A--That I do not know, I understood he was being subpoenaed to attend this meeting, he has been away for some weeks down in the Niagara and St.Catharines District.

Q--Doing campaign work down there ?

A--I understand so.

D.J. THORP.

Q--What is your position in Guelph? A--Collector of Customs and Excise.

Q--You are a resident of Guelph? A--I am sir.

Q--What knowledge have you of the work being done on the railway here? A--Since Hydro took possession I just have a general knowledge as a citizen.

Q--What do you know about it? A--Just what I have read through the Daily Press and what has been dropped on the street by other citizens in conversation.

Q--Is there anything that you could tell us about it which would give us any information ? A--I have listened to the evidence of the others here and probably it would be of information to your Commission to know that the City of Guelph did not build this road originally, it was built by Mr. George Sleeman, a private citizen, and we were very glad to have the street railway in the City 30 years ago and we consented to give him a franchise on all the streets of the City of Guelph.

COMMISSIONER HARRIS: That was a horse car railway? A--No, an electric railway, it was built 30 or 35 years ago.

MR. GABY The City purchased it in 1895.

THE WITNESS: Mr. Sleeman operated it for some years before that, to my knowledge it has always been an electric railway.

THE CHAIRMAN: The Toronto Railway was electrified about '90 or '91 ? A--Mr. Sleeman was very much interested in electricity and made it a hobby and I think at the time it was built it was the second electric railway in Canada.

COMMISSIONER R.A. ROSS: The first electric railway was in 1886 ? A--The first electric railway in Canada was on the Niagara System somewhere, it ran from St. Catharines to Thorold, that was built in '88 or '90. Coming back to the subject of this Guelph Street Railway, Mr. Sleeman operated for a number of years and could not make it go, the population was small, much smaller than it is at present and of course he had no outlet. He got tired operating it and let it go by default and he told the bondholders he could not afford to lose any more money on it and the company was wound up and it was offered for sale. The City of Guelph felt that they had made a mistake in giving a franchise on the city streets to any one man and they felt that probably they had better buy the road back and get control of the streets and put themselves in a position to negotiate with any other railway that wanted to come into Guelph. We realised that we could not make it pay ourselves but we felt that getting the franchise back was worth something to us and that is how we came to take over the railway. It was operated for some years by a committee of the City Council, and, as you know, alderman keep coming and going and there was no continuity of effort. Finally the council decided to put it in the hands of a local commission appointed by the council composed of three citizens and the Mayor and the Chairman of the Railway Manufacturing Committee. These gentlemen improved the service and extended the road and put on modern cars, five or six large modern cars costing about $10,000 apiece, that was considered a very large sum at that time.

Q--What year was that ? A--Somewhere about 1910 or '12

and even then after they extended the road out into the industrial districts and to the cemetery and to Riverside Park, which was created to increase the revenue of the railway, and then we put a loop out to the Agricultural College so as to increase the revenue from that source and we extended it along the Edinborough Road to cater to a certain part of the City out there, all that work increased the capital expenditure but it did not increase the revenue sufficient to avoid a deficit. We have always had deficits in the operation of our city railway. Some years we got sufficient revenue to pay operating expenses but in no one year were we able to get sufficient revenue to take care of the sinking fund.

I was alderman of the City for six or seven years and Mayor in 1911 and '12, so that it was after my time that this proposition of the Hydro Electric Railway came along.

Q--Do you expect that you will be able in time to get sufficient revenue with this large expenditure to carry the road? A--Not unless we get outside connection.

Q--You expect the deficits will continue? A--I do.

Q--Have you any idea as to whether the construction that has been done was justified? A--I do not think it was justified in view of the present conditions.

Q--Has it been done as cheaply as it could have been done? A--It has not in my opinion.

Q--In what respect? A--I was very much disappointed in the way the Hydro Electric Power Commission handled the construction of the road. I expected with all their experience they would have been able to have bought their raw material and get their labor cheaper and better than the City could have got it. I think

they are operating the road as well as can be expected in view of the repairs that are going on.

Q--What was there about the repairs that you object to?

A--I am not objecting to the repairs but I am objecting to their putting down 100 pound rails after changing the cars from heavy cars to light cars.

Q--Were the cars that were here before heavier than the present ones? A--Yes, twice as heavy.

Q--What has become of these cars? A--They are still on hand but I think the intention of the Hydro Power Commission is to sell them.

Q--They have been in use about ten years? A--Somewhere in the neighborhood of eight or ten years.

Q--They are obsolete? A--Not according to Mr. Gaby.

Q--You say they are not going to use them? A--I was quite interested when Mr. Gaby said the life of these cars was about 25 years. They have condemned these cars for this service but I presume they can be overhauled and put on a through road and used but that will be at considerable expense.

Q--Has the method of construction been economical?

A--Not in my opinion, there has been too much loafing on the work altogether and bad foremanship. I would not care to employ men to do anything for me the way these men were handled. I am not at all surprised that the Hydro Electric Power Commission asked for $150,000 instead of $100,000 or $125,000.

TO COMMISSIONER R.A.ROSS:

Q--Cannot you be a little more specific about your charge of inefficiency? A--No, because they are just observations I am making as a citizen.

Q--They are personal observations, you can be pretty fairly specific? A--I cannot say as I am satisfied.

Q--What was the weight of the rails taken up?

A--I think some were 60 and some 80.

Q-- They were replaced with 100 pound rails? A--I understand so.

Q--Were these new rails? A--New rails.

Q-- They were not used on some other job and then used here? A--No, I think they were new rails.

MR. GABY: They were replaced with 80 pound rails which we had already been using on the Niagara job, they were not new rails except some special work that was put on.

Q--And the cost of these rails was less than the new 60 pounds rails? A--Yes, less than new 60 pound rails.

THE WITNESS: I am very glad to hear that, as I told you before I was not actively interested.

THE CHAIRMAN: When you say men were loafing on the job, do you mean to say they were habitually doing so?

A--I do, yes. On my way to and from the office I could notice the men working and I was not at all pleased with the way they were being handled, of course I have got to make allowance because since the war it has been very difficult to handle labouring men.

Q--That is generally known but you speak as if this was exceptional? A--I think more could have been got out of the men.

Q--Under proper foremen? A--I think the foremen were too easy.

TO COMMISSIONER R.A.ROSS:

Q--Is that a subject of general remark or just your own observation? A--It has been confirmed by many others in the City, it could be confirmed by hundreds of others.

MR. GABY: Are you referring to the work on the main street? A -I am referring to the work not only on

the main street but on the other streets.

MR. GABY: Because the main street was done by contract, that is the principal item and we had from our experience and knowledge of work on other systems a foreman here who has got the reputation of being the hardest driver of men of that class of construction, an old experienced man on C.P.R. construction and if we had ever heard that there were such things going on I am sure we would have been glad to have had the information and took steps to improve the existing condition. The cost of the work is within a reasonable cost compared to other work of a similar nature.

THE WITNESS: I also noticed Woolwich Street from Suffolk some six or eight or ten blocks the track was filled up with broken stone intending to leave it that way and then I notice that afterwards they took this all out and cemented it. There must have been some bad management there to have to go to that expense of drawing that stone in there and filling it in between the rails and then taking it out again and cementing it in between the rails.

MR. GABY: As a matter of fact in connection with that particular stretch the stone was on the side of the road and the contractor had it there intending to use it at that time and he put it in the centre between the tracks and he subsequently used that stone for the manufacturing of concrete to place between these tracks. That work was done by contract.

COMMISSIONER J.A.ROSS:

Q--Paying a price for the whole job? A--Yes, so much a foot.

THE WITNESS: It looked to me as if that was not handled right and that explanation of Mr. Gaby's does not appear to me to answer the question as far as economy is concerned.

THE CHAIRMAN: He says it was done by contract so that

if there was any loafing on the job it would be the loss of the contractor? A--The original work may have been done by contract but I understood it was the intention to leave that broken stone there until some future time.

MR. GABY: The intention was to try it with Tarvia in the first place but that same material was used by the contractor for filling in and putting in concrete between the tracks.

THE WITNESS: I might also say, Mr. Chairman, that I was rather disappointed at the way the Hydro Electric Power Commission handled the work around St. George's Square. A year ago last January the citizens voted on the question of a memorial being erected on the square and the ballot papers called for a vote of three sites for the memorial: St. George's Square, Exhibition Park, and Trafalgar Square. The largest vote was for the Exhibition Park, the next for Trafalgar Square and the last I think was for St. George's Square, so that more than two-thirds of the people voted against disturbing St. Geroge's Square, it was a very handsome spot with a fountain and a grass plot and flowers and the citizens were very strongly opposed to having it disturbed, but notwithstanding that vote of the expression of opinion by the people the Hydro Electric followed that up shortly afterwards by pressing the Council to permit them to run straight through that square.

Q--Did the Council agree to their going through?

A--They did not, they discussed it in the Council and finally decided to leave it to the citizens to vote on it on the 1st of last January and I understand that the Hydro Electric Power Commission got plans drawn of how they proposed to change it and they had a copy made and it was printed in the daily papers, showing how they were going to

run through the square, if permitted, and they would still leave two beautiful spots on each side of it according to the maps in the paper and they looked as if the flower beds were going to be just about as large as the former plot, there were no dimensions given and there was not sufficient information given to the citizens and there was a strong appeal made that it would be in the interest of the street railway service and that it was going to cost so much more for the cars to go around these curves and they wanted to eliminate that extra power cost. I could not understand that argument although it might have applied to the old heavy cars but when they were putting on light short one-man cars it did not appear to me logical that these short cars could not get around the curves. That is one of the reason why I am disappointed in the Hydro Electric Power Commission. I might say that I have been an admirer of the Hydro Electric Power Commission and Sir Adam Beck for many years and I have taken an active part in the Hydro Electric Power question for many years with Sir Adam and Mr.Gaby and his colleagues and I supported the Hydro radial proposition. I voted for the Hydro Electric Power Commission to operate this road here and I championed them right along until just recently.

Q--You do not champion them now? A--No, I do not,sir, as far as power is concerned I am quite satisfied but I think we have reached a point there when new conditions arise and the Hydro Electric Power Commission should not have loaded up the City with this extra expense of putting this road in shape. The prospect of extending it north and south and east and west was rather limited and the time will have to be extended before anything of that kind will be done, and it appears to me it was not fair for them to go on with this expenditure until they could see that there

were good possibilities of the road being extended out beyond the city.

THE CHAIRMAN: Mr. Gaby says the City authorized this additional expenditure? A--That is all very well, sometimes I did that myself, I did not discuss the matter with the people.

Q--You expected more from the Hydro Electric Commission?

A--We certainly did. I felt they were spending altogether too much money and if it was in the hands of the City Council I think we could have put that road in very good shape for very much less money as a local road. It has been built with the view of being part of a system and in view of the fact that the system may not materialize they should not have loaded up the municipality with that expenditure.

Q--However it is incurred now? A--Yes, . and it may work out all right but it is going to be very expensive for the City.

Q -That is quite clear, it may be expensive? A--Yes.

Q--Mr. Gaby thinks that you may get a larger local traffic than you otherwise would? A--Yes, but only to a limited extent and not in proportion to the cost.

MR. GABY: In what way could we have cheapened the construction of the road? A--By leaving that fountain in the Square there.

MR. GABY: It would have cost us more money for putting in special work to carry our lines around the square than it has cost us to move the lines and go through the centre by a considerable number of thousands of dollars. We would have had to place all our construction on the outside of the square in concrete the same as we did in the other sections of the street. As far as single truck operation is concerned the curves would make considerable wear and tear on the cars,

a great deal more than it did on the double truck cars. The construction we have put in is much cheaper. As far as the square is concerned that is entirely in the hands of the City Council and it is for the City to determine whether they want it there or not, we are entirely in the hands of the Council as far as the arrangement of construction on the square is concerned. We simply suggested something that we considered to be in the economic interest of the railway, it gives better operation and much cheaper operation as far as the city is concerned and that was our reason for recommending it. The matter was thoroughly discussed and was submitted to the people and carried two to one, As to the other construction I may say that the railway was in such condition and the rails in such condition that they could not continue to be operated upon, we placed 80 pound rails and they were the cheapest possible rails we could get, it would have cost us more to buy 60 pound rails. They were second hand rails which we had on the Niagara job. We only put in new work where it was necessary to rehabilitate.

THE WITNESS : When the question was before the people you suggested through the press what it was going to cost, have these estimates been changed since?

MR. GABY: We have reconstructed certain sections of the railway now which we then proposed to do at a later date.

The original estimates were to carry out certain things and then other monies were expended, $30,000 or $50,000 a year for a certain number of years, some of these years have passed and we simply recommended that rather than spend the money repairing the road it would be economy to put it in first class condition at once.

THE WITNESS: That just simmers down to the original idea that apparently Mr. Gaby and the Hydro Electric Power Commission

were looking forward to having the Guelph Street Railway part of the radial system and they wanted to have a good solid, well-built and equipped road but the City of Guelph is really not in a position to assume that responsibility at the present time. Had we brought in an expert electrical engineer and had nothing to do with the Hydro Electric Power Company at all and if we had told that engineer we had a population of 18,000 to 20,000 people and that our expenditure for railway purposes was limited I have not the slightest doubt that he would not have went to the expenditure that you have incurred. I am satisfied he would have used the old rails and the whole system could have been put in first-class shape to run ten or fifteen years for half the money it has cost.

MR. GABY: That I cannot agree with because we used every rail and every piece of equipment that could possibly be used. We even went to the trouble of cutting off ends of rails that were badly damaged and putting new holes in them so that we could use them wherever possible and we did not propose and it was not built with the idea of using if for extensions, it was built in the most economical way to take care of the conditions obtaining in the city of Guelph as a local system.

THE WITNESS: Speaking of cutting off these rails, one day I came along from my home to the office and I observed these men cutting off these rails and Mr. Gaby if you had been there and seen these men cutting off these rails you would have fired the whole bunch of them.

MR GABY: I am sorry you did not let us know if there was any criticism in connection with it.

COMMISSIONER R.A.ROSS:

Q--How much money have you expended in this railway

more than you wouldhave expended if there had been no connection with the outside railways? A--We have not spent any, sir, in my opinion we have not expended any more inthis railway than we would have done without any connection with the outside.

THE CHAIRMAN: You think if Mr. Ross had been called in as consulting engineer he would have advised expending this money? A--Mr. Ross would have done exactly what we have done in connection with the rehabilitation of this road.

COMMISSIONER R.A.ROSS: At one time I was a humble citizen of Montreal just as you are here, I used to comment on the way the City did the work and how the local laborers and so on did their work and when I got into the City Hall and had something to do with it I began to see things in a different light and the very morning after I left the City Hall and was a free citizen again I began to notice how dirty the streets were and how bad the laborers were and everything else.

THE WITNESS: The Citzens of Guelph have never heard me running around condemning the Hydro Electric Power Commission, I have expressed no opinion on the streets whatever with regard to it. I wondered why you invited me to come here and express my views but I am conscientiously telling you what I think about it as a private citizen.

COMMISSIONER R.A.ROSS: Are you satisfied with the operation of the road now? A--I know they are working under very difficult conditions with the construction going on, we cannot expect to get revenue out of it while construction is going on and I look forward to the revenue being increased when they get the system in proper working order.

COMMISSIONER HANEY: Nor can youexpect economic construction when operation is going on? A--There is that about it.

COMMISSIONER R.A.ROSS: How are the one-man cars working out, are they popular? A--I think they are going to work out all right. I have heard some complaints about some of the cars that the wheels have not been properly constructed and some of them have indications of softness already. You can hear them bumping over the rails, that is the only complaint I have heard about the new cars. I do not know whether there is any truth in it or not as I do not use the cars very much myself but I have noticed that there is something wrong with the wheels and the new rails should not affect them.

COMMISSIONER R.A.ROSS: A man can put a flat on a wheel in two minutes by poor operation.

THE WITNESS: Guelph is very, very anxious to get outside connection. There is a small system operating at Galt, Preston, Hespeler and Waterloo and we would like very much to get connection with that system. We have gone into this thing in good faith with the expectation that Sir Adam Beck would be able to carry on with this system and connect with the Hydro radials and we would be one of that system. I, for one, am very disappointed that he has not been given an opportunity to go on with the work. I feel that we are in the centre of a population here that will warrant a system of radials. I feel that in this country here where we are blocked up for three or four months in the winter that the radials should take the place of the trucks for light freight and express and for the accommodation of a great many people that cannot afford cars. I believe the radials will be a great convenience for these people. While this road was in construction some people thought we ought to put a bus line on to accommodate the people, I have heard people say you could have a bus system here just as cheap and better than

radials. All you have to do is to ride in one of these buses and then in a street car and you would not support a bus line on any account. The same thing applies to the buses running from Toronto to Hamilton, all you have to do is ride in these busts once or twice and you will be very glad to take a good radial from Toronto to Hamilton.

Q--You feel it would be quite a source of income from your point of view as collector of customs? A--I do.

Q--You think it would be good to connect up this system with the outside radials? A--I do, and I think it is only a question of time before we will have a radial system throughout Western Ontario. They may block it in the meantime but it is bound to come, we have got to have it, the Government have been loaded up with this Canadian National Railway and they realise that these branch lines are not paying, and that they are a source of trouble and annoyance and they are quite willing to turn these branch lines over to the Hydro Electric Commission to electrify and run them as feeders to their main line, they are not making any money out of these branch lines and would be very glad to get rid of them. In Guelph we have been looking forward for years and years to get connection up through the north. All this territory north of Guelph is tributary to Guelph, we are on the main old gravel road that was built by our forefathers 75 years ago and we had that trade at that time and we would like to retain it, but we cannot retain it with a freight service of two trains a day each way. We should have an electric system runningevery one or two hours up through that country and that would be a great accommodation to these people and would be a splendid thing for the citizens of Guelph, not only from a business standpoint but from a pleasure standpoint. We are an inland town and we like the pleasure of boating and fishing and so on such as the lake cities have and we have got to go to some of these places

to enjoy ourselves in the summer holidays. If we had a radial service running north our families could enjoy life in Southampton, Kincardine and Port Elgin. A lot of the people in Guelph cannot afford an automobile but they could make use of a radial service and the people up north could come down here and do their shopping and enjoy the pleasures that we have to offer them. Aside from these objections I have spoken of, I am a supporter of Hydro and also a supporter of Hydro Radials and Mr. Gaby knows I am but as an observant citizen I am not at all pleased with the way the work has been handled here as far as construction is concerned and as far as loading up this city with unnecessary expenditure at the present time.

F. McARTHUR, City Engineer, Guelph.

TO THE CHAIRMAN:

Q--You are City Engineer of Guelph? A--Yes.

Q--You have heard about the construction work here, what can you tell us about it? A--My opinion is that the only reasonable way of comparing the cost of construction in the final analysis is to see how it compares with other work of a similar nature. Casual observation of a man on the street I know from my own experience, is not the best means of explaining how the work is being carried on. I am not in the position to criticise in any shape or form the method that has been adopted and I might say that I have not taken very close observation, probably through policy, and I have my own work to look after and there is criticism enough in that.

TO COMMISSIONER R.A.ROSS:

Q--You have your own troubles? A--Yes, I have not observed with the view of sizing up how their men were operating or otherwise as far as construction work is concerned.

Q--Is there any part of the work that you can compare with any other work as to cost being greater than it should have been? A--I am not familiar with the cost and I have had no statement except probably casual observations which I have overheard as to costs and I cannot even retain these.

Q--Have you considered at all whether too much money has been spent on the work? A--I do not know how much money has been spent on any work with which I am familiar, I have never had these figures submitted and I have never made any inquiries.

Q--Is there anything that you care to say to us about construction or any features of it? A--No, with the exception of one thing that might possibly clear up a matter raised by the previous witness with reference to the stone on the street. I happen to know something of that because Mr. Fairlie and Mr. Donnell occasionally have come into my office and that was one of the matters they discussed, as to whether they should do this paving with concrete or by tarvia construction. They are railway engineers for the Hydro Electric Commission. As City Engineer I may say I am of the opinion that from the standpoint of good operation the road should be paved in a permanent manner and in so far as I could I have urged that. As regards this stone it was the intention, as I understand, of the engineers, to try out the use of tarvia construction instead of concrete with the view of cutting down the cost as much as possible and I understand at the same time they were trying it in Windsor. After getting a portion of the stone between the tracks with the view of putting in tarvia construction they found out through their experience in Windsor where the work had been further advanced, that it was not turning out as economically as they had expected and they reverted then to the concrete construction and

used the material they had placed between the tracks for the concrete. That is a matter that possibly the public at large did not understand and it may have looked like a useless expense.

Q--What are you putting on your roads? A--During the last few years it has been almost concrete with the exception of resurfacing of old pavements and for that we used asphalt.

Q--On your main street? A--Asphaltic concrete surface on top of a concrete base.

Q--You did not feel that putting stone between the rails was good practice? A--I am of the opinion that the best construction for street railway work in a city of this size or probably larger, the most economical as well as the best construction is concrete and largely from the standpoint of engineering I was anxious to see as much of the work as possible put in a permanent condition.

TO THE CHAIRMAN:

Q--Did you put in any work for the Hydro yourself as City Engineer? A--No, not for the Hydro, I did one little piece of work for the City. It was really up to the Hydro to do it and it was occasioned by them taking out a small piece of pavement.

Q--Was there any estimate given as to what it would cost?

A--Yes, I believe there was.

Q--Who gave it? A--I believe Mr. Donnell of the Hydro engineering staff.

Q--What was the estimate? A--$500 for this particular job and we put it in with our own staff for about half of that, it was a small section of work. We put that particular section in for $165 with our own private gang.

Q--You might have taken the whole contract if you could have done it at such a reduction as that?

A--That was a small corner, of course it was concrete work and we had our equipment and gang there and that is what it actually cost us.

Q--You must have a good gang? A--We have.

Q--The Hydro wanted $500? A--They offered us $500 to put it in.

Q--Did you get the $500? A--No, we billed them for what it cost, $165.

Q--Is there anything more that you would like to say?

A--No. That is the only actual piece of construction work that I have had anything to do with a long their lines and that was a bit of paving which they had occasion to tear up and they were not possibly as familiar with the cost of paving as we were.

TO COMMISSIONER R.A.ROSS:

Q--In your operating account do you allow anything for depreciation in connection with pavements? A--No, not in connection with pavements. These are paid for on a debenture issue on a sinking fund basis and of course maintenance comes out of the general fund but we do not establish a depreciation fund.

Q--You do not expect to make any revenue out of your roads?

A--I do not see how we could establish a depreciation fund and also set aside a sinking fund at one and the same time.

Q--We have had a lot of discussion about depreciation in various things. You have no system which is expected to pay depreciation, sinking fund and all sorts of things and maintain it? A--I cannot understand how you could pay renewal and sinking fund at one and the same time, you would be simply paying for two jobs at once. Our pavements are all paid for by debentures, the theory is that when that period has expired another issue would be made to renew them but

if we provided for depreciation by renewal at the same time we would have to set aside an equal fund for renewal, in other words you would be providing for two pavements at the same time.

Q--In other words your sinking fund is depreciation?

A--Absolutely.

TO MR. GABY:

Q--In connection with the bit of paving work done for the Commission, was any overhead charge in that or was it just the cost of the work? A--I just took a note of that as it occurred to me that would come up. We had our paving gang doing work adjacent to this place and that cost includes the actual cost of all labour and material, plus an item of 5% for engineering and contingencies.

Q--If we had to go on and do that work and bring in an extra gang it would cost a good deal more?

A--I have no doubt.

Q--It was a . very small piece of work? A--Yes.

Q--Your gang was already there and you simply made an extra charge in connection with it. You had not to bring your material or gang there? A--No, at the same time your men were doing concrete track work.

Q--In the vicinity? A--In the City.

Q--They would have had to have brought the material there and take it away again? A--We had all the material from our pit. Your engineers were not familiar with this work and it is more or less a difficult job to estimate on.

TO COMMISSIONER R.A.ROSS:

Q--By co-operation between the two engineers you saved the City some $300? A--In that instance; outside of that the work on the street railway has been absolutely in connection with the Hydro Electric Commission and occasionally

their engineers and I have had some chats but as far as knowing anything of the details of their work, I do not know anything about it.

MR. GABY: We always endeavour to co-operate where we can.

J.W. OAKES.

TO THE CHAIRMAN:

Q--You are an Alderman in Guelph? A--Yes.

Q--Are you a contractor? A--Yes.

Q--Can you tell us anything about this work here?

A--I, with other citizens, was anxious to have Mr. Gaby give us items of the cost of the Wyndham Street East section which they did a little less than one year ago. On the occasion of Mr. Gaby asking for the additional $150,000 from the City Council, I asked him for an itemized statement of the expenditure of $138,000 and one of the items was Windham Street section paving and putting in new rails and ties $63,000, which is, I think, approximately 450 to 500 lineal yards. I consider that was an excessive cost, there is approximately 1100 square yards of concrete.

COMMISSIONER HANBY: Cubic yards?

MR. OAKES: Square yards, approximately 1100 or 1200 yards, it runs probably an average of 10 inches. There were new rails laid on the great part of that section, absolutely new rails, very long rails and I understand they were 100 pound rails.

Q--Were these rails from Niagara Mr. Gaby?

MR. GABY: I believe so, practicallyall the rails on the job were from Niagara.

COMMISSIONER HANBY: I have heard it stated that 100 pound rails were used.

MR. GABY: I know of no place where they used 100 pound rails, 80 and 85 pound rails is what we have been using.

Q--What was used in crossing intersections? A--Same weight of rails.

Q--I think that ought to be cleared up because it is misleading and a misnomer and does not affect Mr. Gaby's statement that 100 pound rails were not used at all.

MR. OAKES: Well, I accept Mr. Gaby's statement for that.

COMMISSIONER HANEY: He ought to know?

MR. OAKES: They were new rails laid down on Wyndham Street, no rust on them, fresh from the mill;

MR. GABY: That is quite right, practically all the rails in the system were rails from Niagara and at the intersection of Wyndham Street there was a certain place where we had to use special construction steel cross ties, on that section there were new rails put for a distance of two or three thousand feet, 80 pound rails were used.

MR. OAKES: The City Engineer has put down concrete streets in the City of Guelph an average of about eight inches for approximately $3 per square yard and if you allow $4 or $5 for Wyndham Street you could figure out the cost and we will say there is 450 yards of roadway and that costs $63,000.

MR. GABY: Probably Mr. Oakes is just taking the construction on Wyndham Street, in that item was included the construction on two other streets.

Q--It includes three streets.

MR. GABY: Yes, that is the capital expenditure he is referring to and I might say that this concrete work was laid by tender, the whole thing was done under tender and Mr. Oakes, I believe, tendered.

MR. OAKES: No, I did not tender but a City contractor did tender.

Q--What was the price per cubic yard?

MR. GABY: As I remember it, it was somewhere in the neighborhood of $12.

COMMISSIONER HANEY: The figures given by this gentleman would run it $18.

MR. OAKES: When I mentioned approximately 500 lineal yards, I am considering a portion of Woolwich and Cardinal Streets.

MR. GABY: The price was very reasonable and the price given for the work includes rails and ties.

MR. OAKES: We cannot understand how it would cost $63,000 and I asked for an itemized statement of the expenditure of $138,000. We are only permitted to speak for ten minutes in the City Council and I had more than taken up my time and we had that one item of $63,000.

In discussing the matter of St. George's Square with Mr. Fairlie I pressed for an itemized statement for arriving at the cost which appeared to me to be excessive and he made the statement that they were estimating at $15 per square foot of concrete around St. George's Square.

COMMISSIONER HANEY: That would be $45 per cubic yard?

MR. GABY: There must be some misunderstanding, it was not a square yard it was a cubic yard.

MR. OAKES: Then there is no such number of cubic yards in that work nor yet one-third of that number of cubic yards to make it amount to $450,000 and that was the estimate he gave for the concrete work on St. George's Square, therefore we figured it at $15 per square yard. In pressing for the necessity of going through St. George's Square I asked Mr. Fairlie if it was not a fact that they wanted to straighten these curves out considerably in order to permit the heavy cars of the Toronto Suburban Railway coming up through there--

Mr. Fairlie is an engineer of the Hydro Electric. They were doing this work with the understanding that they would probably run the Toronto Suburban cars up around the square; the curves were too acute for the large Toronto cars and they wished to straighten them out to facilitate running these cars. The people of Guelph are not satisfied, some may be satisfied, but speaking generallywe are not satisfied with what we consider the excessive cost of the Wyndham Street section, although it was laid by contract.

THE CHAIRMAN: Could Mr.Oakes have a detailed statement showing how that cost is arrived at?

MR. GABY: Yes, I am just looking to see if I have the details here.

MR. OAKES: If he can give me the lineal yards and the number of yards.

THE CHAIRMAN: Mr. Gaby will let you have that.

MR. OAKES: They got $63,000 and we cannot understand how it would cost that much when we aresputting concrete down for $3 a square yard.

THE CHAIRMAN: Could the engineer of the City have undertaken this work? A-- I do not know how busy he was at that time.

MR. GABY: During that period Mr. Fairlie offered to have the matter checked up by any competent engineer and detailed estimates submitted.

Of course the cost of Wyndham and those other streets is not only concrete it is the cost of the material that entered into the work, track material, steel ties and intersections and turn-outs and overhead and all these other things entered into it.

MR. OAKES: There is this fact: Wyndham Street section cost approximately from $180,000 to $200,000 per

mile at that rate and we consider that cost excessive, Guelph could not stand that.

COMMISSIONER HANEY: Who is the Guelph contractor who tendered on the work? A-- Conroy and Robinson.

Q-- You say their tender was not considered? A--They advised me their tender was not considered, they had a communication from the Hydro Commission asking if they could furnish bonds and they wrote back and said they could furnish bonds and they advised me their tender was not considered.

COMMISSIONER R.A.ROSS: Not considered or not accepted?

A--Not considered, at least they did not hear from them.

MR. GABY: The matter was taken up with the contractor in detail by the engineer as to whether he would take on these contracts and the matter was gone over in detail and he refused to go on with it, otherwise he would have got the job, the next tender was adopted. There was very little difference between them, the contractor refused to comply with the contract when the matter was submitted to him.

Q--He had the specifications before?

MR. GABY: He had the specifications and he actually put in a tender.

Q--You could have held him to his tender?

MR. GABY: We could have held him to his tender by going to court but we did not want to go through that procedure.

COMMISSIONER R.A.ROSS: With regard to these curves on the section, did the new carshave a very long wheel base that would render it unlikely that they could go around the curves easily?

MR. OARES: The old cars we had were very long cars.

Q--Were not they double truck cars? A-- Double truck

cars and these are double truck cars.

Q--These one-man cars are single truck cars?

A--No, double truck cars.

MR. GABY: No, they are single truck cars.

COMMISSIONER R.A.ROSS: Their rigid wheel base will be very difficult to put around the curves.

MR. GABY: We have a nine foot rigid wheel base.

MR. OAKES: Then I am mistaken, in that. I challenged Mr. Fairlie's figures for the cost of the construction of St. George's Square and he modified them very much.

COMMISSIONER R.A.ROSS: When I saw that square cut in two in that way I was surprised, I had never been in the City before and I said to myself it was a piece of vandalism but I accounted for it when Mr. Gaby began to speak of the single truck cars, they could not get single truck cars around those curves.

MR. OAKES: I asked him if it would not be much easier to operate the short one-man cars around these curves than our present long cars and he thought probably it would be but it would be difficult to get the large Toronto Suburban cars around there.

COMMISSIONER R.A.ROSS: There is no doubt about that, it would cost considerably more to make these curves but I think it would have been a nice thing to have left that curve the way it was.

MR. OAKES: They asked for $20,000 for fixing the Elora Road section, one-third of a mile, and we considered that excessive cost, especially when they put down old rails that came from Niagara. The work has been very well done but it has been at an excessive cost, that is our only criticism.

JOSEPH A. TOVELL.

I did not expect to be called, I am here as a spectator. My office is directly over the square and I do not wonder at the excessive cost of the work because I have seen as many as 16 men supposed to be working on the upper end of the square and 13 of them were loafing and three working.

Q.-That is a rather large proportion? A--I have seen another time when there were two teams there and one man to load them, that is the way the excessive cost of Hydro work has been done in this country. We have had estimates from Hydro engineers when there was a certain amount required to pay for a certain work and when they have got the work finished it has cost double the price, that has been the case all over the country. They told us when the C.P.R. was talking of coming in here that they would run down to Hespeler for $400,000 and when the Hydro put in their estimate of what it would cost us to connect with Hespeler, it was between $600,000 and $700 000. If their men are such experts, as they have been saying, why could not they build this railway much cheaper? It is nothing else but the papers that have stampeded the people and if they did not get paid for it they ought to be paid for it, that is the fact of the matter. The work on that square has been costing $5 for every dollar's worth of work put on it.

Q--That is a pretty wide statement? A--It is a wide statement. I saw two men load two trucks in an hour and three-quarters and a man nearly as old as myself at my own home put on 18 loads in two hours and twenty minutes. That is the way the Hydro men work. They told the people that if the cars had to run around the old curves it would cost us $900 a month more for extra power to run around these curves and it is less than $900 for power for the whole system.

MR. GABY: Where was that statement made, sir, and who made it ?

MR. TOVELL: It was made in the papers.

MR. GABY: Was it made by a man from the Hydro Commission?

MR. TOVELL: I do not know who it was but it came out in the papers.

MR. GABY: I do not think it was anybody from the Hydro Electric Power Commission.

MR. TOVELL: From the first day you ever entered the Opera House we got your statement and your actions have not carried out what you stated to the people at that time.

MR. GABY: I believe we have carried them out.

MR. TOVELL: Adam Beck from the first time he came to the City has not carried out his statements.

MR. GABY: That is a pretty broad statement? A--It is a pretty broad statement. He got up there and told us we would get power for $18 a h.p. and it was sold for $24.50.

MR. GABY: You got it at $18 later on? A--We were to get it at first, now we are getting it for $19 but they have raised it $1 and the way I figure it you will raise us to $40 before you get through although I think that would be cheap to what we have had to pay.

MR. GABY: I think you have had your power at cost as far as Hydro Electric is concerned.

MR. TOVELL: You will find what the cost will be when you have the Chippawa expenses in, you have spent the money and it has got to be paid for by somebody, it will be just the same as our railway here. We supposed that you were going to make this thing pay. You will never make it pay as long as you have a head on your shoulders. There is no railway in the United States that paid during the last twelve years. There were 41 of them paid expenses and a number of them went to

the wall.

MR. GABY: Did you analyze why they did not pay?

A--No; because they did not have Hydro would not make all the difference. If it was because of private ownership it is all the worse, I am not a private ownership man. I think this whold thing has been carried out in an extravagant manner, the men have not done a quarter of a day's work in a day and the men at the head are getting their big pay and they do not care anything about the rest of us.

MR. GABY: I do not like statements like that.

MR. TOVELL: When they put this thing in they said they would do it for a certain sum, they said they would spend $150,000 and that would put us in good shape, I put up in my office that we would be $50,000 behind by 1925 and at the present time we are $42,000 behind for this year.

THE CHAIRMAN: No, $23,000? A--There is $18,000 to add to that, that will make $42,000.

Q--It will go behind if they do not get more passenger rates? A--How can they get more passengers when there is no more people to ride than there was before, the new cars won't carry any more people because they are new cars.

THE CHAIRMAN: I know in Toronto there were some cars that I would not ride on but I would ride on the new ones?

A--The reason this thing has cost so much money is inefficiency in doing the work. I think they made the mistake in not engaging good men as foremen. I would have seen that they did the work they had to do or else I would have fired the whole lot and I would have fired Sir Adam Beck to start with.

Q--Anything further? A--No.

SAM CARTER.

I am not suppoenaed but you told us you would like to hear anybody and I have two questions that I would like to ask.

THE CHAIRMAN: You are not going to ask us any questions? A--No, two questions that have arisen that I would like to speak about and I would like to give a statement as briefly as possible with regard to the way Hydro has acted and the experience Guelph has had and the reason the people voted for the bylaws. We were amongst seven or eight municipalities that undertook to go into this at the first. Guelph was in a rather peculiar position. Guelph was the first municipality in the Province of Ontario to buy its electric light and gas as a public ownership proposition. They bought it in 1900. It was a very badly run down plant and it took us all our time to operate it with some 600 customers taking electric light and about 800 or 900 taking gas. Its turn-over was less than $40,000. The franchise expired and through the efforts of two or three men, no more than half a dozen, the people were allowed to vote and they voted to take it over. I must say that some of the men I see around now who have been knocking this were in opposition to taking over the old plant but we took it over. We were paying 16¢ per kilowatt for commercial electricity and 12¢ per kilowatt for residential lighting. We had very little power and any power we had was very costly. We operated that plant till Niagara power came in. The first two years it was run by the Council and it ran ashore and then the people begged for a Commission. After they got the Commission they started with Hydro Electric. Sir Adam Beck came here almost at the beginning. We had by strenuous efforts brought down the price to eight and ten cents per kilowatt. There is one fact I would like to state; after

going through 20 years and giving nearly half my time to the City of Guelph without a cent remuneration we were the first to attend the first meeting to press for the taking over of Niagara Falls Power. Sir Adam Beck was not there then but there were several people there from Guelph and on several occasions we made progress but then we failed. Sir Adam Beck came to one meeting, I can remember him coming, I can see him now in my mind 's eye and he took hold of the matter. He conceived the idea of what it would do. I want to show you what it has all meant to Guelph. Guelph could never have got Niagara Power through private individuals, they would not have paid the money to come here because it would never have paid them, it took too much financing to bring it. The wa tering of stock that always takes place in big companies would prevent them from coming 75 miles. I must say that Hydro has never failed us. I often disagreed with Sir Adam Beck, I have been his Chairman at meetings and I have been in connection with the matter from its inception all but about four or five years when I was in the House, but as far as I can find and I have gone into it pretty fully, Sir Adam Beck never failed us. At that time we were paying eight and ten cents a kilowatt and we had to take 2,500 h.p. I fought that because I thought we should not have undertaken to take that quan tity and that it would have ruined Guelph.

I have a statement from the Farmer's Sun.

Q--As to what Mr. Casselman said? A--Yes, my answer to that is that the City of Guelph went into that with a financial liability of $14 overhead charges to bring the power from Niagara Falls to Guelph of 2,500 h.p. You get my point, Mr. Ross, We had them only 500 h.p., the manufacturers would not take power and we gave them motors, they would not put their own motors in but we spent $4,000 for one motor to put in one factory and we got in every factory we could to save

us from bankruptcy in connection with that 2,500 h.p. at $14 overhead charge on the price of the power to pay for the construction of the line. It does not matter what Mr. Tovell says, our guarantee from Hydro was $24 a h.p., for 2,500 h.p. If my memory serves me right, we have never paid $24 a h.p. and we were never penalized for one horsepower more than we used. Now when you consider an undertaking like that and if I was Sir Adam Beck I would feel like saying nothing has been done like it for the people of this Province or anywhere else. In the City of Guelph every citizen instead of having to pay 8¢ per kilowatt, the price we are paying is 2½¢. My own bill last month for 140 kilowatts was just $2.33, it is 3½¢ for residential lighting. Commercial lighting was 8¢ and now it is 2¼¢, at that time we had 600 customers and now we have between four and five thousand customers. We have taken this light to nearly every place. There were real estate exploitations and some of the strongest fighters for Hydro were real estate men and they wanted Hydro Electric light and water and they would almost ruin the City, but we refused to take it to these outside places unless we were sure that it would pay. We have now sold these motors but I think it was the ideal way and if I had remained on the Commission I should have fought desparately to continue with the motors because it was an ideal way to give service to the manufacturers and we kept them in condition.

I am sorry the member of the Commission from Brantford is not here because we supplied these big concerns with power at a very cheap rate.

There is no man more in sympathy with giving the farmer an opportunity of having electric light, I would give him more than we have agreed to

give him and I would like to say to the Commission, being on the executive of the Hydro Electric Commission and Mr. Hannagan as far as I know had no salary till this year when we voted him an honorarium of $300 for his services as Secretary to the Hydro Electric Association, I do believe that the farmers should have some help to take the lines to them but when you come to speak of a flat rate after what we have done to make Hydro what it is I think it would be outrageous. I do not see how any men could consider it or conceive of it, I think some effort should be made to see that the cost to the farmers is not so high. I am not going to say whether I would put a small amount on the power, I think I am against that. I think it would be better if it came squarely out of the general funds as the farming community is the foundation of all wealth, when they prosper we too prosper but it should not come out of the power itself but should come from the general taxes and the Hydro Electric Association which is composed of the Mayors and representatives of the different municipalities, unanimously agreed that we would appreciate if the Government would pay half the cost of the lines.

Q--Have you anything to say about the railway situation here? A--I am coming to that. It is important to the City of Guelph that the statement I have made should be known.

COMMISSIONER HANEY: Who bought these motors?

A--The City of Guelph did and we loaned them for $1 a month.

Q--$1 a month per h.p.? A--I think it was, it was all included in the cost of power.

Q--Ultimately they sold the motors? A--We sold them to the people that had them in. I have not changed my opinion that that was the best thing we could have done. I am not

an expert financier but I have had some success in business and it is considered that I am not altogether a fool, I think it is better in any private or municipal plant, to avoid too much overhead expense and in issuing bonds and debentures it is much better to keep up your plant without issuing debentures if possible. Up to 12 years ago from Niagara power we had saved some $60,000 or $70,000. The last $30,000 of our debentures were issued for ten years and that was just as Niagara power was coming in and from that day to this there has never been a debenture issued. We have a $700,000 plant and if you reckon our stores source and $25,000 we have in debentures, this City does not owe $100,000 against that. We owe less because we have paid off 20 debentures. There is no sinking fund and we really have far more than the $700,000 plant.

Now as to the railway. I think I was in the Old Country when the first agitation about it came up and when I got back I took some interest in it. The people had such thorough confidence in the Hydro Electric Commission that if you look at the vote you will find there was not 20% of the people voted against it, the people voted almost unanimously to turn this over to the Hydro Electric feeling they would be fairly dealt with and they felt that by having it carried out by the Hydro Commission the people of Guelph would benefit. They knew that if the outside radials did not come in they would at least get the operation of the railway at cost and I think if Mr. Gaby had gone into it he would have shown that on the power bill alone at this present time there is a saving of $700 a month.

MR. GABY: It costs $700 a month, it has been reduced about $300 a month.

MR. CARTER: The power is already reduced about one-third and then we have the one-man cars and I think in three or four years, although the road has never paid interest and was always losing tremendously, yet you will see in three or four years it will pay operating expenses and carry part of the interest.

THE CHAIRMAN: What does the railway pay for its power?

MR. GABY: It pays the same as Guelph, $19 or $20 a h.p., plus the cost of the generating equipment at the station.

THE CHAIRMAN: Would that be $4 or $5?

MR. GABY: It would probably run around $30 a h.p.

COMMISSIONER R.A.ROSS: That $30 is a direct charge on the line, not alternating?

MR. GABY: No, direct charge.

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J. M. TAYLOR.

So much has been said today and most of the matters were covered by Mr. Carter this morning and I happen to be on the same side as Mr. Carter and some other gentlemen who have spoken today. I am just as strong for Hydro power as anybody because as Mr. Carter has mentioned this municipality was the first place west of Toronto to adopt it and our company was the first company that took over power. The only criticism we had and this was brought up the time the Hydro bill was being voted on for radials, was that they had not carried out their original contract. Mr. Carter just referred to the fact that they supplied motors to the plants. We were supplied with a motor but it did not make much difference to us, we had an expensive plant put in by the General Electric and we were boosters for the Hydro. During the fall of 1918 when munitions were being manufactured we had notice that we would have to pay for the motors, our cost for motors was $4,800, it did not make much difference to us but other people protested that they were not able to pay for them and at that time that was the only criticism, except that the power had been inefficient at times. Of course Sir Adam Beck and my friend Mr. Gaby have not been responsible for cutting off the power and it has been improved very much lately. In Guelph, we never could get any information when the power went off but we could telephone University Avenue, Toronto, to Mr. Gaby's office and be very courteously replied to and get the information quick but we could get no information here. I do not think it was the fault of the staff here, it was simply because they had no means of getting in touch with the source. Three weeks ago ten minutes to nine we had the foundry filled up and we could get no information from the local office and we waited half an hour and then shut

down our plant and some 500 or 600 men were sent home. We are not complaining about that because we were able to stop that day as we had some repairs to make but the papers came out the next day and said the factories did not suffer any inconvenience and that was a misrepresentation to the public because they did not inquire what we did.

The C.P.R. proposition was first made in the summer of 1919, my position as a director of the Guelph Junction Railway appointed by the Municipality of Guelph to see that we got the proper amount of money coming to us under the contract of the Canadian Pacific Railway and I felt that as a trustee it was my duty to either quit my position on the Board or to stand by the Municipality and I was the leader, or one of them, in trying to get the Canadian Pacific Railway to make a contract with us. I did not participate in it originally, Mr. Carter, as Mayor of the City, had brought it up months before it was brought to my attention. The position we were in at that time was that we were getting 40% of the gross receipts from the Canadian Pacific Railway. It was stated by somebody this morning that it was 15 years in operation before any divddend was paid. That is not so, it was started in 1887 and running nicely in 1888, in 1894 a little was paid but it did not amount to anything, the first return was in 1895 of $4,228; in 1907 it was $19,000; in 1915, $34,000; in 1918, $59,000. It was stated when the matter was up that we were going tohave connection with the Toronto Suburban Railway and lines to Puslinch Lake and so on and my argument was that we were going to divert traffic from the Canadian Pacific Railway to the Hydro Railways and the City of Guelph would lose money and if it had gone into effect we wouldhave lost from 1918, $60,000 that year and last year it was $86,000, an increase of $25,000 and this year

it will go about the same. However the citizens voted against it when the matter was first started. The matter was laid before the Council and they approved of the Canadian Pacific Railway contract and they advocated it, but presently the Hydro Municipal Organization of which Mr. Lyons and Mr. Hannagan are the representatives, undertook to put a herring across the trail and show we were not doing the right thing and that we were breaking faith with the Hydro Radial. We contended we were not doing anything of the kind, that we were already a partner of the C.P.R. and that we should stand by that partner, that we were making a profit and it was a sure one and was going to increase and was reducing the taxes in the City 11 mills on the dollar. Then the Hydro organization got to work, the papers immediately dropped pushing the Canadian Pacific contract and it was voted down. Then those of us who were on the other side said we will get some kind of a proposition from the Hydro and the Hydro made a proposition, a copy of which was filed this morning, that was voted on and the issue I took in regard to whether I should support it was in regard to the statement made by Mr. Beck and my friend Mr. Gaby at a meeting held in Galt on November 6th, and I said, "this is a new campaign and the statements made by Mr. Beck are so wild and loose that we should not tie up to something that is not definite." He made a statement at Galt on that date that the Toronto Electric Company had been in business fifty years and were making enormous dividends and as a matter of fact they have only been in business since 1886 or thirty-one years.

Beck stated that the Chippawa Construction was to cost about Sixteen millions dollars when the original estimate was made up.

He laid great stress on the fact that the citizens of

Ontario should not kick about the capital expenditure as it was a good investment and if it did take a few more dollars it only put it into another pocket. Sir Adam Beck said that Hydro Radials are to be controlled by the municipalities the same as Hydro Power, against this we now have the City of Guelph reported as having a considerable credit due them because of overcharge of the Ontario Commission--Guelph however, could not get the money or the use of it as the Ontario Commission said this was just a matter of bookkeeping.

Beck emphasized the fact that there would be a profit of $76,000.00 in the new Radials as now shown on the map provided Elmira and Guelph were included--but he did not say what the loss would be if Elmira and Guelph were left out.

He laid great stress also on the profit they would get from carrying over the Radial System all coal from Port Stanley and London routes instead of at present over the G.T.R. and C.P.R. The question then arises how much the Guelph Junction Railway operated by the C.P.R. for the City of Guelph will lose of their annual income and will the City of Guelph be doing right to vote against their present assured income.

He laid great stress in regard to a place called Salt Creek--

THE CHAIRMAN: Saltfleet? A--Salt Creek near St. George which would have Radials run right through the village or town, there was also another place the name of which I could not catch, but in as much as these two municipalities had voted against Radials they would be punished by the Hydro by being considered a customer instead of partners and the regular current rates charged. He stated that he would have to get at them some way and probably there would be a further tax for interest and survey. He seemed to glory in having the anticipated pleasure of crucifying these

two municipalities who had not fallen for and voted according to Hydro wishes.

HE also stated that Hydro proposed to take over and electrify only such portions of the Grand Trunk as are now paying or could be made to pay.

He was doubly emphatic and laid great stress and talked for some time on the fact that he wished to impress this upon the citizens, that the Hydro never spent a cent of money without the vote of the people and never had spent a cent by Order in Council or by Legislative Order. The Municipalities were the only ones who had a say, then he paused and said that he did not want the Press to take this down--but that he had an Order in Council recently passed for One Million Dollars for the purchase of rights of way on the Niagara Line. Then Mr. Gaby mentioned that Three Hundred Thousand had already been spent of this. Sir Adam then stated, "You see what we have done and are doing, this may not be just regular but it is done."

As a result of that I was more opposed to the Hydro and tying up to the Hydro Electric, after hearing such statements as that.

It may help to say that a statement was made in the Opera House at Guelph on December 4th that the Guelph industries had been carefully surveyed and an actual canvass made with regard to the volume of freight--It was found afterwards that a th orough canvass had not been made.

This road will pay if they get all the traffic including freight.

The minimum speed of the new line will be at forty miles per hour including stops and where no stops and long runs sixty miles per hour will be obtained.

Beck said, "Hydro has now Eight to Nine Million Dollars

to our credit as a sinking fund and the Dominion Government hav guaranteed not to parallel the Hydro Lines."

Port Stanley Line is the wonder of the world and Guelph will be a second wonder as he proposes to make it a terminal centre for all roads running North, South, East and West..

Freight will not be run over the City Streets as a separate route is now being laid out by Engineers around the City.

Sir Adam Beck reiterated as he did in Galt the statement that they nefer made estimates but what were checked and re-checked and then checked some more and they did not yet know a case where they had not lived up to the estimates.

There was another statement made, I won't mention the man's name because he is dead, a gentleman asked the question several times, "Did we get control of our streets and would we have the right to say what lines would be permitted running rights through Guelph?" Sir Adam Beck took several minutes to talk about everything between Port Stanley to Bowmanville but did not answer the question excepting to say that the municipality would have the say as to what would go over the Streets or have entry over our line .

Subsequent to this question the gentleman referred to went on the stage behind the scenes and asked the question over again when Sir Adam Beck answered him with a great deal of profanity, he did not satisfy the gentleman.

In other words he said a gentleman who would ask a question of that kind was a fool. I made a memorandum of what has happened contrary.

Hespeler and Puslinch line has not been started immediat after July 1st, 1920, as promised.

Streets have been torn up and re-railed with heavy rails, and right here I will say I will give $100 to the Sick

Children's Hospital in Toronto if Mr. Gaby can prove that they are not 100 pound rails and not only have the streets been torn up contrary to the reports that the rails were too light because the old cars were heavier than the new ones. There is a copy of a report made by Mr. Gaby to Sir Adam Beck, showing, and my recollection is exactly the same as stated this morning, because Wyndham Street was in a fair condition and the only reason the change was made was because our cars were so heavy and if we get the old cars things would be running smoothly.

Double the time was spent on the streets and rails that it should have taken to do the work, men were constantly loafing on the job.

Right here I am sorry that Mr. McArthur the Engineer did not bring out something that is common rumor at the City Hall and that is that the Hydro Commission stated that the corner would cost $700 and the City Engineer said he would do it for $500 and he accepted $500 from the Hydro and did the work for $163.

Q--Did he get the $500? A--I understood he did and I will give $100 to the hospital here if that is not true.

Enough time has been spent in moving the monument from the Square to Priory Park to do the work twice over. I know how men can work and they have been taking actually twice the time in doing that work. There were six men on the job and only one man working when I went past at half past eight. We objectto the reasons they give for altering the track at St. George's Square. A record was made, as I understand, and it was discussed by the City Council and it was reported in the press that it was going to cost the Hydro $14,000 more for Hydro power because of going around the old curves and after they straightened them all out they would save that

money. Mr. Gaby mentioned a little while ago that $300 was the saving on that account and the Manager of the railway said it was only $200. In speaking about the revenue this morning, Mr. Gaby gave reasons for the profits that accrued during the last two or three months but no mention was made that a year ago we were only running six days a week and today we are running seven days a week and the greatest traffic is on Sundays, I guess. According to the contract no Sunday cars were to be operated without a vote of the people and a vote of the people has never been taken.

Reference has been made this morning as to the question of the insurance and Mr. Guilfoyle mentioned that the insurance was due to workmen's compensation. Mr. Littlejohn who looks after the insurance made the statement no later than Saturday last to a local insurance man in the City that they did not carry workmen's compensation, so much so that they are out of pocket some $50,000 because of not having carried it.

Reference was made to the ten year deferred depreciation. If I went to the bank, and said, "I want to borrow $100,000" and showed them a statement I was not making provision for any depreciation for ten years they would tell me to get out and they would be right.

Q--There is provision for depreciation? A--Yes, but Mr. Guilfoyle said they were deferring that for a period of ten years and according to the note we have with regard to the cars here they will not last more than ten years and I am taking the evidence we have had before the arbitration in the City of Toronto that they will be out of date before that time.

Then there is objection raised in the City with regard to the fares. Sir Adam Beck laid great stress in the Opera House and his statement was, "Ladies and Gentlemen, The

Canadian Pacific Railway say they are going to give a 5¢ fare. Oh, yes, they are but they are going to the City Council and ask for approval to change it if they find they need it. What are we going to do? We are going to give you a 5¢ fare for all time." The next day I called a meeting of the Guelph Junction Board to see if we could get that included in the contract and it was revised and I stated to Mr. Lyons, who was one of the Directors at the time and also Chairman of the Hydro municipalities that Sir Adam Beck had made the statement on the platform and he said, "Surely, Mr. Taylor, you won't take literally what any public man says on the platform, I think that was not what he intended." That was the way we were up against it. We could not get near the citizens because the papers were plugging hard for Hydro and we had no other paper by which we could get to the ear of the citizens. I also want to submit that on the 31st day of December, 1919, I submitted to the press and it is in the papers filed with you this morning, a statement contradicting Sir Adam Beck's statement with regard to the Port Stanley Railway that it was the wonder of the world and that it was an abiding contract and one that could not be changed at all. At that time he was asking the Ontario Railway Board for approval on an increased rate on the Port Stanley and was also asking the Federal Board, Sir Henry Drayton being chairman at that time, to permit an increase of freight on coal over that road. That is all I have got in my mind.

MR. GABY: I do not see what evidence Mr. Taylor's statements are founded on. The reference he has made to Sir Adam Beck's statements will probably speak for themselves. With reference to the street cars on Sunday, that matter was approved by the Council and they approved of it operating on Sunday and we did so in answer to the request of the municipal

Council to do so. As far as operating expenses are concerned we were operating seven days a week at the same time last year so that it would not make any difference and I was not making any comparison between the two years, I was simply comparing the months in the present year. No statement has ever been authorized that there would be a saving of $14,000 of power by change of the operation on the square or in going around the square or through the square. Estimates were submitted in detail and no statement of that kind has ever been made.

As to the workmen's compensation insurance, the Commission carry their own insurance and do not carry it through the compensation Board but they charge insurance against the job, the same as if it was being carried by the Compensation Board and that insurance has been charged in that way.

I think that answers all the vital statements made by Mr. Taylor in connection with the railway. The others are things that were thoroughly discussed by both sides and I have nothing to say about them. Anything Sir Adam Beck stated at that time can be verified but I think it is all irrevelant as far as this proposition is concerned. I have nothing more to say.

MR. TAYLOR: Somebody ought to state what the alterations on St. George's Square were.

MR. GABY: I have not the information with me but that will be presented to the municipality or its Commission.

MR. TAYLOR: The statement was made it would only cost $17,000 and it has gone a long way above that.

MR. GABY: How do you know that, Mr. Taylor?

MR. TAYLOR: It was stated by one of the Aldermen that that was stated to the City Council, that it would cost $17,000.

MR. GABY: How do you know it has gone beyond that?

MR. TAYLOR: I do not know but I live here.

MR. GABY: That does not make any difference, whether you live here or do not live here does not in any way give you correct information as to the cost of that work.

THE CHAIRMAN: Do you wish to say anything about the form of contract that you as a manufacturer have to enter into with the Hydro?

MR. TAYLOR: Only it is all one sided, whatever the Hydro want they have got to get.

MR. GABY: The contract you have is with your City Commissioners.

THE CHAIRMAN: I am referring to the contract you have with the City Commissioners?

MR. TAYLOR: We have no objection to that at all.

Q--What contract were you thinking of? A--The street railway contract.

Q--What about that? A--We think it is too hard a contract; it is one-sided. Everything the Commission want is in and everything the City want is not in it.

MR. GABY: We were acting as Trustees for the City.

MR. TAYLOR: You are acting as trustees for the public, that is the way the statement is put, and when you stated on the platform that a 5¢ fare would be given you should have carried that out.

MR. GABY: I do not remember any such statement being made.

MR. TAYLOR: It is right in the papers filed today and I took it down myself particularly.

MR. GABY: I do not remember it but if the fare is greater than 5¢ the City obtains the benefit.

THE CHAIRMAN: Do you know of anyone who would like to be heard?

MR. GABY: I do not know of anybody. As a matter of fact you could get a 5¢ fare by purchasing a dollar's worth

of tickets and I think any man using your railway for his own benefit should pay 6¢ to take care of the cost that the citizens have to pay for operating the railway.

THE CHAIRMAN: We would like to get through but if there is anybody who would like to say anything we will hear them.

A MEMBER: Mr. Lyons left us some few minutes ago and he said he would be back at eight o'clock.

J. J. HEEG.

In connection with interruptions on the line it is very hard to get information from the Hydro on account of the long transmission to Toronto or even Dundas because the telephone lines are very often affected by the interruptions that occurs to the Hydro lines. We would like to give information to Mr. Taylor or any big power user because we know how important it is where they have cupolas.

On the question of motors they were installed on a rental basis and they were sold strictly at the option of the customer and they were sold at practically what they cost the Commission and they were bought at a time when motors were very low in price and I consider that the power users of Guelph saved at least $25,000 in that equipment.

MR. CARTER: That was in this way, that we took off the whole as a sinking fund reserve and they were the best motors that were in this country and they are all running as good as ever and we gave them to the people at the price we paid for them in the first place and they had time to pay for them. We are still giving the power users the same service as we did when the Light and Heat Commission owned the motors. If anything happened to the motors in the factory we kept a number of motors in stock to replace them, our staff is big

enough to take care of all the repairs and they did not have to send away for repairs.

MR. HEEG: As far as the street railway charges are concerned they have gradu ally been going down as far as power is concerned, they are getting less all the time.

Q--How is it you pay more for power than other people?

A--They pay a little more on account of converting it into direct current, $1.25 a h.p. and half a cent per kilowatt hour charge. Someone said just now the street railway paid $30 and that the general rate here was $19 or $20. The Street railway pay more for their power on account of it being direct current power.

Q--What do they pay for it? A--$1.25 per h.p. per month and half a cent per kilowatt in addition for the current consumed.

Q--What does that amount to per h.p. per year?

A--At the present time it amounts to about $700 a month and they are using about 300 h.p. now. They had to pay as high as $1,000 a month under the old system.

THE CHAIRMAN: That would work out about $28 a h.p.

MR. GABY: I stated that it runs about $30 a h.p. for d.c. power, it would be probably $19 or $20. It is charged at the rate of so much per h.p. plus the kilowatt hour charge.

THE CHAIRMAN: I do not understand why the street railway pays more than anyone else? A--We have to put in rotating equipment to transform the alternating current to direct current.

Q--We were told that was $1.25? A--No, that is the service charge, I think you must have got confused in these two terms.

Q--How is it that the manufacturer gets the power for $19?

A--Due to the fact that there is considerable diversity between the various loads of the manufacturer. We use

primary power and we pay primary cost, we sell to the municipality and the municipality sells to the street railway.

MR. HEBG: The Light and Heat Commission sell to the street railway and they convert the alternating current to direct current and they have a special transmission line from the sub-station. We figure that we have about $40,000 worth of equipment for the street railway use only.

COMMISSIONER R.A.ROSS: What do you figure is the saving in your power by going directly through the square instead of around it? A--That wouldbe pretty hard to determine, I would imagine that the four big cars starting on the curve with double trucks would create a demand of probably 150 h.p. more than usual.

Q--Would you ever have four cars on the square?

A--We have had five and six cars, that is a passing point and I have seen a freight motor bunched in with them.

MR. GABY: In reference to the Sunday cars I have been reminded that a vote was taken and it passed about five to one in favour of operating Sunday cars, that was over a year ago or at the last election.

COMMISSIONER R.A.ROSS: That 150 h.p. would only have to be paid for by you at $1.25 a month; if it did not affect the peak it would not cost you anything?

A--Unless it just happened at a time when our peak was just coming on and the cars all started at that time.

Q--The most it would cost you would be $1.25 per month which is $15 a year for 150 h.p. ? A--Yes.

Q--So that that would not amount to anything? A--Not very much.

J. W. LYON.

I am hard of hearing and I have not been able to hear one word that has been said here today and it has been a litt monotonous to me and if you will tell me what you want me to discuss I will do the best I can.

THE CHAIRMAN: We want you to tell us anything you can with regard to the subject we are trying to learn something about and that is the relation between the City of Guelph and the Hydro Electric Commission referring especially to the street railway and any other matter that you would like to bring before us? A--As perhaps you know I was President of the Hydro Radial Railway Association which was formed in 1913. I held that position until last March when I retired. I am an old man, older than you think, I am 74 years of age and I have lost my hearing. I had practically retired a year before refusing to stand but they would not take no for an answer and I decided to resume. I have been out for about a couple of years and I have not been following the work very much for the last year or so. I am told that your inquiry is especially with regard to the street railway. I may say that I was elected President of the street railway in 1903 and I was President until 1919. When I was elected President I thought . perhaps it was possible to make such a road pay but in a very short time it dawned upon me that to make a railway pay in a place the size of Guelph was a hopeless undertaking under ordinary circumstances with no-where else to run, therefore, I was very enthusiastic when there was a proposal to make lines leading to Toronto and London and to Galt and Hamilton because I felt that I saw the salvation for the street railway in these lines. In 1919 a new city council was elected and a new form of Government and that form of Government took the railway out of the hands of the Commission and put it in charge of the City itself,

and I ceased to be President of the street railway, a positi which I had occupied for 17 years. If you will examine the financial standing of the street railway for these 17 years you will find that it will compare very favorably with any other railway under like conditions anywhere else because it has a very great handicap.

Hydro had taken over the road and as to whether their work has been done well and economically you are in as good a position to judge as I am myself but it looks to me to be good. I may say under modern conditions with modern new roads and with modern transportation the railways have arrived at a position where they either ought to be made a real transportation vehicle or else be scrapped. That was the position this railway had arrived at, it either had to be scrapped or it had to make something that would really transport people. The road had rapidly depreciated and it became a question what we should do with the road. The Hydro have been managing it and according to the audit it has not been very profitable so far but I will point out to you, sir, that since Hydro has had the road it has been under construction and the traffic has been badly interrupted. Now they have the one man cars which they ordered and that is a modern development. When we bought our cars they never had been heard of and we had to buy big cars because certain hours of the day we could not transport the people and we had to have the largest possible accommodation. Some people said, Why not use trailers but the curves were such that trailers could not be used, therefore, we were obliged to buy heavy cars which were very expensive to operate. Now they are done away with and we have twice the number of one-man cars and the time-table has been increased and we have a modern road, thoroughly equipped and it will become reasonably profitable to the City. I may say that the people of Guelph have confiden

in Hydro and it has been shown by their vote and I have no reason to believe that the people of Guelph have lost confidence in Hydro so far.

Mr. Chairman and Gentlemen, I have been told that there has been considerable argument put up here to you today in connection with the C.P.R.'s offer that they made for our street railway. I cannot conceive how that has anything to do with your Commission or with the matter of your inquiry but I think it is up to me to make a reasonably short reply there to. May I do so?

THE CHAIRMAN: Yes.

MR. LYON: Very well, sir. I was President of the Guelph Junction Railway for quite a number of years and I shall have to go back to the building of the Guelph Junction Railway and in a few words bring it down to date. In the early '80's the C.P.R. did not have any money, they built their line from Toronto to Chicago 16 miles from Guelph and the people of Guelph wanted connection and they sent a deputation to interview Van Horne and they were told the C.P.R. had no money to build the road but if the City would build the road they would operate it and he offered them a contract for 100 years and to give the City a rental of 40% of the gross earnings of the road for 100 years. After a big campaign it was finally voted on and the City built the railway and the C.P.R. commenced to operate it and it ran behind on interest and sinking fund to the amount of $52,000. Then came a time when there was a prospect of getting a line through to Goderich which would be a through line from Toronto to Goderich and would be a feeder for the Guelph Junction Railway. All this time the people of Guelph had been worrying for fear that if the Goderich line was built the C.P.R. would build a cut off and take away the freight from the Guelph Junction and that was a very material factor.

Finally after considerable discussion, correspondence and deputations, an agreement was made with Van Horne or Sir Thomas Shaughnessy that if Guelph would obtain a free right of way from here to Goderich the C.P.R. would build a line and not divert the freight from the line. The City of Guelph got busy and spent three months in a campaign and obtained a right of way from here to Goderich for this new line, it was built and became a main line and that represented an investment to this City of $171,000 but it went on until it was earning $80,000 a year net for the City of Guelph. The C.P.R. built the bridges and did the work and they make the repairs and they pay a net revenue to the City of Guelph of $80,000 on an investment of $170,000. I had been President of that Guelph Junction for a good many years and I had been thoroughly loyal to the C.P.R. and I had even given sites for manufacturers on the line of the C.P.R. which very greatly increased the freight earnings of the Guelph Junction and I had refused to let the Grand Trunk build a spur into my factory district. The Grand Trunk sent me word that they would build a spur down to the York Road if I would give them the right of way and it would have been worth a great many thousands of dollars to me but I refused to do so on account of my loyalty to the C.P.R. and that spur line was never built. On the 1st of January, 1919, a new element came into the Council and immediately the City of Guelph began to hear a tremendous story of what a millstone this street railway was around the necks of the people and figures were published and I fought the matter out in the press and showed that there was a mistake of $6,000 in their figures, then we heard about this great bargain with the C.P.R. but we never got the details of the bargain. Finally, if I remember correctly, the bylaw was published and the vote was to take place in three weeks, the shortest time possible, and they talked about

what a wonderful thing it was going to be for Guelph. At that time I was a very sick man and was anxious to go to Battle Creek and I was going to go away on Tuesday, I got the paper containing the bylaw but I did not look at it. Remember I was President of the Guelph Junction and they proposed to build to Puslinch Lake and as far as I could see I was the only man who could make any money by that proposition, because I had a large amount of property on the lake where they were going to extend the line and I was the only man who owned any frontage there besides the City of Guelph, and I could see where it meant thousands of dollars to me if the line went through. I went to my office on Tuesday morning and I was going to leave for Battle Creek at three o'clock and I read that bylaw over and I said to myself, "I will fight that if it kills me". When the campaign was over after three wekks I was a well man, it was the best medicine I had ever taken. At the time the bylaw was published it would have carried probably ten to one in this City. I fought it, not because I did not like the C.P.R., but because I liked Guelph better. You have heard a long story as to what kind of a bargain that was but if you will read the papers during these six weeks you will get an idea of what kind of a bargain it was and instead of the people being unanimously in favour of that bylaw they voted three to one against it and that shows you what the people of Guelph thought about the bylaw when it was explained. At the time I wrote the letter to the press it would have probably carried five to one but two weeks afterwards it was out of sight. I had no idea whatever it was going to be discussed today or I would have looked the matter up but I will ask you to read the bylaw and if you do so you will find that Guelph was to put up a great deal of money and one of the conditions was that Guelph was to always furnish the

rolling stock and keep it in repair and that there would be a very heavy expense for other things and if there should be any profits Guelph was to have half of them and the C.P.R. was to have the other and Guelph would be surrendering her streets and that was a big question here. The street railway was built 30 years ago, the people were so anxious to get it that our solicitor wrote his own charter for the railway and that charter gave the railway absolute control of the streets and when that became known years afterwards the people bought the street railway, not because they expected to make money but to get control of their streets. The reason I was elected a director of the Guelph Junction Railway was because I practically prevented the City being held up by some private stockholders and I continued a director of that railway until I came out against the C.P.R. and our friend Mr. Taylor who has been discussing this matter today and who was very active in this campaign in favour of the C.P.R. and who is a partner of Mr. George Forbes of Hespeler and who is a director of the Grand River Railway, became President of the Guelph Junction Railway and he is President today. In order to come into Guelph on the C.P.R. from Buffalo you go by the Toronto, Hamilton and Buffalo as far as Hamilton, that road is owned jointly by the C.P.R. and Michigan Central and the Michigan Central has 51% of the stock and controls and operates the road from Hamilton here and they have 500 feet of a grade up to Guelph Junction and they cannot make much money hauling freight over that road of 15 miles with 500 feet of grade and Guelph receives 40% of the gross earnings which is twice as much as their proper proportion as owner of the road and it is not difficult to see how the C.P.R. could not make any money bringing in freight, coal or freight of any kind to Guelph from Buffalo over the Michigan Central and up a grade to the Guelph Junction and over the Guelph

Junction to Guelph and pay the City of Guelph 40% of the gross earnings. They would make more money by taking it around the other way. The C.P.R. were bound not to divert freight but this bylaw was not with the C.P.R. it was with the Grand River Railway, a subsidiary company owned by the C.P.R. but with separate directors and it is a separate corporation. When the Grand River Railway would be extended to Guelph they would have their own road from here to Port Dover and would have to pay no share of the freight to Guelph and no share to the Michigan Central and how much common sense does it take to see how freight from the States would come into Guelph over the Grand River instead of over the Guelph Junction and it would be easy for the Grand River to extend to Elmira and get the freight coming down the line. These are some of the reasons why I opposed this bylaw and I opposed it against my own interest and I opposed it successfully and if you want to know any more about it I will ask you to read the papers for that two or three weeks. Why did they ask for a snap judgment?

Q--What prospect is there of the present road paying?

A--I think there is a fairly reasonable prospect when it is properly improved and put into shape but the great feature is these collateral branches which the people voted for at the time. The City voted the money to build a line from Toronto to London through Guelph and they voted money to electrify the Grand Trunk from Guelph to Hamilton and make through connection with the proposed line to Niagara Falls. It is not the fault of the people of Guelph that these lines have not been built.

Q--Is there any possibility of the Guelph road paying with these connections? A--I think there is a prospect that it will just about pay. I should say it would carry itself when it thoroughly gets into shape, perhaps not quite but pretty near, but we will have the management of our own streets

and we found that we had that tremendous danger of losing our revenue from the Guelph Junction Railway, that was the key note of the C.P.R.'s move. I have had inside information from headquarters from a friend that the deal was dirty, it was to steal the $80 000 a year coming to the City from the benefits of the Guelph Junction. That was the reason they were willing to spend money to build from here to Puslinch Lake.

J. J. McINTOSH.

In the City of Guelph the City Council does its advertising alternatively one year in the Herald and the next year in the Mercury. It happened to be our year this year and we tried to get the council to insert the bylaw in the Mercury as well.

THE CHAIRMAN: Not the bylaw itself, the propaganda?

A--That was paid to our firm by Powell Hamilton, Treasurer of the Radial Railway Association.

Q--Was there much paid for propaganda work?

A--No, I do not think there has been $100, I did not look it up, we may have got some few dollars before that but that was all and that was when the other bylaws were voted on, the bylaws themselves are paid for by the municipality.

Q--Is there anything that you as a citizen would like to say about this matter?

A--No, I think not.

MR. J. M. TAYLOR: I want to correct a statement as to the voting on the Sunday cars, I went to the City Manager and he said they had not voted and that is where I got the information.

MR. HEEG: As a citizen of Guelph I want to say there is one thing that has not been touched on today and that is the street railway has opened up property in the

City today that the City has got the benefit of in the way of taxes that they would not be getting if the street railway had not been built.

MR. CARTER: There are very few cities that have the advantages that Guelph has; we have the Guelph Agricultural College and now we have the Veterinary College here which is a tremendous thing and in four or five years this road will pay all right. Mr. Lyon put the matter correctly to you.

Adjourned until Tuesday next 14th instant at the City of Toronto.
